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A study of the employment policies of William Filene's Sons Company in their store in Boston.

Other volumes in preparation.

INDUSTRIAL RELATIONS SERIES

THE FILENE STORE

A STUDY OF EMPLOYES' RELATION TO MANAGEMENT IN A RETAIL STORE

BY

MARY LA DAME

DEPARTMENT OF INDUSTRIAL STUDIES
RUSSELL SAGE FOUNDATION

NEW YORK
RUSSELL SAGE FOUNDATION
1930

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Filene's, William, sons company
Filene cooperative association
Department stores - Employees
Employees' representation in management

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PHILADELPHIA, PA.

FOREWORD
TO INDUSTRIAL RELATIONS SERIES

By Mary van Kleeck
Director of Industrial Studies, Russell Sage Foundation

"WAGE-EARNERS' participation in management" is the general title under which the Department of Industrial Studies of the Russell Sage Foundation is carrying forward a series of investigations of new experiments in the organization of relations between employers and employes in industrial enterprises in the United States.[1]

The series was planned in 1919 after interviews with a number of persons, including engineers, social workers, investigators, government officials, employers, and representatives of labor, whose advice had been sought as to how the Foundation could most effectively contribute toward the improvement of human relations in industry. The consensus of opinion seemed to be that there was great need to record the experience of those industries in which definite effort had been made to give wage-earners a voice in matters affecting their employment. These efforts had taken forms varying from conferences between employers and employes on wages, hours, and other conditions of employment to genuine participation by the workers in management.

These experiments include many kinds of organiza-

[1] The studies thus far made by the Foundation, or in progress, include the Industrial Representation Plan of the Colorado Fuel and Iron Company in its coal mines and in its steel works, the Partnership Plan of the Dutchess Bleachery, the administration and interpretation in day-to-day practice of the agreement between the United Mine Workers and the Illinois Coal Operators' Association in the soft coal mines of Illinois, and the present study of the Filene store.

tion under many different names, but roughly they may be grouped into two major types; (1) those which are limited to a single company or to one plant, as are practically all of the forms known as employes' representation plans; and (2) those which may include an entire industry, with machinery for joint negotiation between groups of employers on the one hand and trade unions of employes on the other, such as are found in the women's garment trades and the mining industry.

Neither the typical plan for employes' representation, nor the usual trade union can be characterized as aiming primarily to provide opportunity for wage-earners to participate in management. Nevertheless the object of our interest in all these experiments is the status they give to wage-earners as measured by the workers' opportunity to share in decisions affecting industrial relations. We are not primarily concerned with the conditions established, the rates of wages paid or the hours worked except as these are the result of a larger influence on the part of employes. Our chief concern is to find out by what procedure conditions have been established and, particularly, how effective the voice of the workers has been in the process of determining them. Beyond this lies the important question of how an industrial enterprise can be conducted so that the relations between employers and employes shall square with American ideals of democracy and brotherhood. Co-operation is sometimes a vague word to conjure with, but in its accurate meaning of "working together" it represents not only an ideal but a practical necessity in carrying on the specialized and complicated economic processes of modern industrial society. It is to give the more substantial content of actual experience to our aspirations

for more satisfactory relationships in industry that studies of typical experiments are needed.

As to the desirability of better co-operation in industry, no important difference of opinion can be found. As to the best methods of bringing it about, however, opinions are many and at times bitterly at variance. A very effective way of stimulating better co-operation between workers and managerial officials in any industry or in any single establishment is to show them how it is being achieved elsewhere. One of the best means of correcting the prejudices of uninformed public opinion, which often increases antagonism between employers and employes, is to focus attention, not upon a particular conflict which may at the moment be distracting men's minds, but upon the practical steps that are being taken to establish the relations of labor and management regularly and permanently on a democratic, just and sound basis, with proper regard also for the interests of the consumer. We are not interested merely in a record of success. An experience which reveals mistakes and difficulties and points the way toward more effective next steps is also a genuine contribution to progress.

To accomplish practical results a study of such experimental steps in human relations must interpret with equal accuracy the attitude of mind of the workers—their aims, their motives and their standards—and the problems and difficulties of management. A true record of actual procedure and its results should make it possible for those who are now responsible for policies in industry to learn from one another's experience. To contribute to that kind of exchange of experience is the aim of the Foundation in these studies of industrial relations.

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SYNOPSIS

Preface

Can the complex, impersonal character of large-scale modern industry be reconciled with the democratic idea that a human being needs not only to earn a livelihood but to find self-direction and self-expression in work?

The answer to this question is being sought by the Department of Industrial Studies of the Russell Sage Foundation in a series of studies of actual experience in various companies and industries in the United States. The inquiry centers about the forms and procedures devised to give labor as a group a share in management.

William Filene's Sons Company in Boston, of which the management policies are the subject of this book, has developed its human relations as an integral part of its business aims and its methods of management. A serviceable and profitable business has been its objective. Service in a store depends upon the skill and experience of its employes. "Making colleagues rather than antagonists of one's associates" has been the method whereby the founders of the business have sought to obtain success.

At the same time in aiming to create an efficient method of selling goods to customers, the store has another significance than its own experiments in employe representation. Wastes in the process of distribution increase the cost of living and diminish for all wage-earners the value of high earnings. In the leadership of this store, this aim of decreasing costs has been regarded as a most important contribution of a retail business toward genuine industrial democracy. Has it been able to fulfil this aim? Has the participation of employes in management had any direct effect upon the efficiency of the store as measured by its success in decreasing costs to the consumer?

Introduction

Management is defined as "the formation of policy, its execution, the designing of the organization and its employment" (quoted from Sheldon, Oliver, The Philosophy of Management). This Boston store was one of the first firms in the United States to experiment in employes' participation in management. From its beginnings in 1881 its owners recognized that success largely depended on their employes, and the structure of the corporation and the

organization of the store were determined with this idea in mind. Provision was made for proper methods of recruiting and selecting workers and training them. Attention was given to the establishment of satisfactory conditions of work, including a definite minimum wage and reasonable hours. Employes' participation in management took form in the institution of the Filene Co-operative Association. In an Arbitration Board power was given the Association to govern discharges and transfer of employes or to deal with any other dispute. The Association also had the right to nominate four members of the company's Board of Directors, 11 in number. Have employes used the powers given them through the Filene Co-operative Association, and what have been the results for them and for the business? This was the main question asked in this study.

The store was selected with the idea that the form which wage-earners' participation in management had taken there should have significance for this whole movement in any industry. Moreover, the employes' organization had had a long history, extending over more than twenty-five years.

Because the Filene Co-operative Association is merely one part of the whole personnel program, attention in the study was also given to the Personnel Division of the Store Management, including the Employment Department and the Training Department.

The sources of information included various documents, minutes of meetings and memoranda regarding policies at various stages of their history, interviews with large numbers of persons occupying different positions in the store, attendance at meetings and actual experience by two investigators, one the writer of the report, in positions in the store. At two stages, first after the preparation of the manuscript and second when the study had been set up in type, it was read and criticized by members of the firm and of the staff of employes, and conferences between them and the investigators were held for the verification of data and the discussion of disputed points.

PART I—PERSPECTIVE

Chapter 1—A Philosophy of Industrial Relations

Three specifications are included in the business aims of the store: permanency, profit and service. By putting

permanency first, the way was open for giving greater attention to the building up of a competent and co-operative staff of employes than would have been desired or even thought about in a business with more shortsighted aims. Profit, on the other hand, was to be the central aim and the test of success, but the profit was to be sought through service to the community which involved efforts to eliminate waste in production and distribution and the sharing with the consumer of the results of this elimination of waste. At the same time the obligation was recognized to divide profit with those in the employ of the store who had helped to produce it.

Out of this threefold business aim emerged a threefold personnel program: employe participation in management, in profits and possibly in ownership. The business was to be owned by those who managed it and not by absentee capitalists interested only in the returns on their investment. This principle of owner-management was an integral part of the policy affecting employes. It also was a determining factor in financial policy. Hence the financial structure of the business necessarily came within the scope of this study of employe relationships.

Chapter II—The Store

The business is not a department store, but a departmental specialty shop, comprising, however, a wide range of articles under the general heading of men's and women's clothing and accessories. It consists of three major sections: the main store, the men's store and the automatic bargain basement. From a small shop opened in 1881, it grew until in 1912 it was necessary to erect an eight-story building. The major part of its business is carried on in Boston, but small shops are operated in other cities and towns in New England. In 1912 a new corporation was organized with a president, general manager and four vice-presidents who were the holders of the common stock and who, also, made up the group known as the Management.

The actual work of the store is organized into four pyramids: (1) merchandise, (2) publicity, (3) finance and accounts and (4) service or "the store." At first each of these was headed by a vice-president who acquired stock by virtue of his function in the Management. Later the four pyramids were brought under the jurisdiction of two vice-

presidents. Five major assistants to the Management constituted the Operating Committee, all of whom, with the Management, were members of the Board of Directors. Until recently the employes, through the Filene Co-operative Association, had the right to nominate members of the Board.

In written form the store policies are outlined for each pyramid and for its various subdivisions, and these are reviewed periodically, first by the Operating Committee and later by the Management. Among these policies one of the most significant is that known as the "six months' plans," indicating what is expected to be accomplished in each main division in the succeeding six months.

Chapter III—The Workers

Through studies of the payrolls and the individual records of employes, facts were secured regarding numbers of men and women employed, age, length of service, and wages. The employes numbered approximately 3,000, of whom 70 per cent were women. It is the policy to employ no boy under sixteen and no girl under seventeen. Thirty-one per cent were under twenty-five, and 76 per cent were under forty. Only 8 per cent were fifty or over. The records of academic education showed 2 per cent who had been graduated from college and 37 per cent who had not gone beyond grammar school. Nineteen per cent had been graduated from high school.

In length of service, contrary to the prevailing impression, the women tended to remain longer than the men. Of the total, nearly 68 per cent had been in the service of the store two years or more; 42 per cent, five years or more; and nearly 19 per cent, ten years or more.

PART II—THE FILENE CO-OPERATIVE ASSOCIATION

Chapter IV—Structure

The idea of the Association originated in informal meetings of the Filenes with their employes, inaugurated in the early days of the business, at which workers were encouraged to express their ideas on all aspects of the work. It was further stimulated by the failures of efforts of the firm later to provide for various welfare features organized by the employers without the participation of employes. The

Association grew slowly out of conditions in the store, and its first task was to become responsible for welfare work, including the management of the lunchroom and of funds for relief and entertainment. Its purposes finally, as set forth in the 1922 revision of the constitution and in the charter, a formal but non-legal agreement between the Management and the Association, were (1) "to give its members a voice in their government," (2) "to increase their efficiency," (3) "to add to their social opportunities" and (4) "to sustain a just and equitable relation between employer and employe." It may initiate new store rules or modify or cancel existing ones having to do with "store discipline, working conditions or relations or any other matters except policies of the business," and its vote in such matters is effective unless vetoed within a specified time by the president of the company, the general manager or any other member of the Management; this veto can be overridden by a three-fourths vote of the employes. In the Arbitration Board the Association has final judicial power over grievances or disputes, including specifically discharge which the employe feels to be unjust and wishes to appeal.

In form of organization it has the usual officers, a Council and a number of subordinate bodies and a staff of some 50 people, including the executive office, the management of the restaurants for employes, the Credit Union, the Benefit Society and the clinic. The most important office is that of the executive secretary, who devotes his whole working time to it. He is elected by the Council of the Association, subject to confirmation by the Management.

The cost of operation is borne largely by the company, though certain activities are more or less self-supporting. The question of self-support has had a long history, but the frequent discussions and votes on the subject have not resulted in changing the financial dependence of the Association upon the Management.

Employes who belong to the few trade unions represented in a store of this kind are also members of the Filene Co-operative Association, and their unions are recognized by the company.

Chapter V—Hours of Work and Vacations

The Association has from time to time exercised its powers in securing shorter hours of work. It has acted

against keeping the store open during evenings preceding Christmas in the years when that practice was very prevalent in all stores. It has also taken action to curtail overtime and to secure special holidays on certain occasions such as the Saturday after a July Fourth which came on a Friday, and the closing of the store the day after Christmas. During the war period the Association expressed its willingness to make up for the lost time of Monday closings by longer hours on other days, but this offer was not accepted. In general, in the decrease in hours of work the Association has not been a potent factor, action having been taken by the Management either independently or in concert with the Retail Trade Board of the Boston Chamber of Commerce. To the Association is due, however, the initiative and the perseverance in securing the consent of the Management to winter vacations for employes who met certain conditions as to length of service.

Chapter VI—Wages

On this subject the Filene Co-operative Association has practically nothing to show. It has taken no initiative at any time on the wage question, though certain grievances of individuals or occupational groups have been dealt with.

A study of the weekly wage rates of employes in a representative week in October, 1926, showed that the largest group, 37 per cent, had rates between $15 and $20 and that 21 per cent had rates of $30 or more. The wage rates of the women were distinctly lower than those of the men. Massachusetts has a Minimum Wage Commission which has set the minimum rates for women in all stores in the state. The Filene store was the first to adopt voluntarily a minimum wage rate, subsequent to the publication of the first report of the State Commission on Minimum Wage Boards.

In a business in which the idea of employes' participation in management is recognized, it is surprising to find no activity on the part of the employes' association in relation to the subject of wages. The form of organization of the Association does not lend itself readily to methods of determining rates of compensation. Occupation is the basis for such determination. The Council of the Association is, however, organized according to the location of the workers in the store, regardless of their particular occupations. By

no means all of the 19 districts into which the store is divided for purposes of representation in the Association are made up entirely of workers in one occupation.

Chapter VII—Profits

The idea of sharing profits with employes was early adopted in principle by the company, but prior to 1912 the Filene Co-operative Association had no relation to profit sharing, which applied almost exclusively to executives and specialists. In 1913 the stockholders approved a plan for profit sharing, which was to become operative after certain conditions had been met having to do with paying back a surplus contributed to the business by the common stockholders.

The plan would have provided that net profits remaining each year after certain specified deductions would be divided into two equal parts. One would go to members of the Management; the other, to all regular employes of the company other than the Management. Amounts received would be in proportion to salaries. In order to reward particularly deserving effort, a Board of Apportionment was provided, to be made up of three members of the Board of Directors and three members of the Filene Co-operative Association, these six choosing a seventh as chairman. During the period between 1913 and 1926, members of the Filene Co-operative Association were interested in the possible adoption of the profit-sharing plan. In 1915, the Council of the Association asked that the material relative to the plan be put into shape in order that it might be fully discussed by the Council, but the Board of Directors in reply asked that consideration be postponed until there was a prospect of putting the plan into operation. In the next year the Management took steps to work out a bonus plan, and four managers met with Council members and other members of the Filene Co-operative Association to discuss it. On this occasion the questions raised by the representatives of the F. C. A. showed keen interest and intelligence regarding the whole problem. The Council, moreover, at the suggestion of the president of the company, appointed a committee representing all groups of workers in the store, which subsequently drafted a plan for employes' participation in profits. The Council ratified it and sent it to the president. It called for an immediate

allotment of a fixed sum to be distributed on the basis of salaries, followed by the appointment of a joint committee to work out a departmental bonus arrangement, and finally a study of wages as a basis for making a plan for extra remuneration. The Board of Directors replied, suggesting a joint committee to make recommendations to the directors but indicating that the basic features of the plan already adopted by the directors would prevail. The indications were that many employes were disappointed at the adoption of a bonus plan instead of general profit sharing. The plan for profit sharing was withdrawn by the stockholders early in 1927.

In the method of distributing subsequent bonuses the Filene Co-operative Association participated through committee representation, but its representatives never had any voice as to the amount of the total bonus to be awarded. In 1918 the question of arbitration of bonuses was brought up by the president of the Filene Co-operative Association. No record of an answer is available, but a subsequent vote of the directors approved the Council's plan, "provided it carried with it no right to arbitrate the amount of the total bonus to be paid by the corporation." In actual practice the right to arbitrate individual instances of injustice in the distribution of the bonus has been seldom if ever used. A short time after this vote, steps were taken by the Management looking toward the discontinuance of any participation by the Association in the formulation of any future bonus plans. For a general plan of profit sharing or for a bonus based upon qualifications susceptible of definite proof was substituted distribution by the Operating Committee with review by the Management.

Chapter VIII—Discipline

The Filene Co-operative Association has the right to initiate, modify or cancel store rules, and specifically it has had responsibility for regulations concerned with store dress, tardiness, absence and discount on purchases. Its work in these directions has been efficient and intelligent.

Chapter IX—Welfare Work

The policy of the store is to encourage employes through the Co-operative Association to ascertain their own needs and in co-operation with the company to provide facilities

for meeting them. The actual management of these facilities then rests with the Association. Even the clinic is now jointly managed by the Benefit Society of the Filene Co-operative Association and the Management, though until 1926 it was part of the Personnel Division of the store organization. Thus the employes, through their own organization, manage provisions for sick benefits, medical examinations, savings and loans, restaurants, clubs, and classes for instruction, besides publishing a weekly bulletin and maintaining a band, an orchestra and a choral club which give public performances of a very creditable kind.

CHAPTER X—SUGGESTIONS AND SALES PROMOTION

The experience of the store in attempting to secure suggestions from the employes seems to have been no more and no less discouraging than in other businesses. The Suggestion Committee has continued to function, but its accomplishments have not been very vital.

In sales promotion the Association has a more interesting history. On November 2, 1914, the store was run for the day by the F.C.A. In 1920, the Association initiated the first of its campaigns for more business during one of the summer months. This was known as the August Drive. The goal was to secure 50 per cent more business than in August of the preceding year. F.C.A. Day, the last day of the drive, resulted in the largest Tuesday's business in the month, and the goal was achieved. Another effort was made in July, 1924, which, though less successful, received commendation from the Management. Similarly, a campaign for early Christmas shopping by employes themselves was successfully conducted by the Association early in December, 1926.

CHAPTER XI—JOE DODGE, ELEVATOR OPERATOR, *versus* THE MANAGEMENT

A single case, given in detail, shows the procedure of the Arbitration Board in passing upon the complaint of an elevator man that he was unjustly discharged.

CHAPTER XII—THE ARBITRATION BOARD

The Arbitration Board was established in 1901 as part of the Filene Co-operative Association. Its scope has been broadened, its membership enlarged and its procedure formalized during the subsequent period. Its first function

was to pass upon fines, but four months after its organization its jurisdiction was extended to discharges and two years later it was established as a final court of appeal in all cases of controversy between the company and an employe or between one employe and another. It may not change a store rule. Its authority is judicial. The Management is not represented in it, though its representatives appear before the Board to argue cases.

Chapter XIII—Advantages and Disadvantages of the Arbitration Board

In view of the great importance of security of employment to wage-earners, this provision for the hearing of disputes arising out of discharges is a significant sharing of management with employes in this store. The members of the Arbitration Board are largely made up of the rank and file. It has admittedly corrected injustices and brought to light important problems of personnel relations. It has produced goodwill and it has disclosed defects in the administration of the store and its rules. On the other hand, it is distinctly favorable to employes and it is open to the objection of creating difficulties for executives, whose leadership in their own departments may sometimes be jeopardized through one-sided decisions by the Arbitration Board.

Chapter XIV—Representation on the Board of Directors

Until 1928 the Filene Co-operative Association had the right to nominate a panel of six proposed members for the Board of Directors, four of whom could be selected by the Board. In 1912, the Association's nominees were elected by vote of the entire membership, but in the following year this method gave way to nomination by the Council. The outstanding fact in the history of employes' representation on the Filene Board of Directors is that, with the exception of the executive secretary of the Association, the F.C.A. directors have always been store executives. Never has a rank-and-file member served. Examination of the votes of these F.C.A. nominees over a long period reveals the absence of any organized stand on their part on behalf of the rank and file of employes. On the whole, each seems to have voted as an executive of the business and very much in accordance with his specific responsibilities as such. Except

in a few instances on the subject of bonuses, nothing in their votes indicates that they have felt in the discharge of their duties as directors any particular obligation toward the Filene Co-operative Association.

Twice the Council of the Association has taken action which more or less assumed that the directors nominated by it were responsible to it. In September, 1916, the Council requested its nominees to render an account of their representation during the preceding year. One of them responded. In 1919, the Council voted a suggestion that F.C.A. directors be notified in advance of directors' meetings of the subjects to be acted upon, in order that they might take them up with the Council if it was important that they should properly present the views of the Association. The directors replied by conferring with their attorneys and stating to the Council that its nominees were under no obligation to report to it or to be guided or instructed by it.

Chapter XV—Stock Ownership

Of the three principles in the Filenes' philosophy of industrial relations, participation through the Filene Co-operative Association in management, in profits and in ownership, the third, sharing in ownership, has been more tentatively regarded than the first two. That the owners of the business should be its managers was a foundation stone in the policy of the business. The next step naturally was to consider a degree of ownership on the part of employes, the idea being that those who do the work of the organization are those who should own it. Put in another way, the original owners had no desire to monopolize either the management or the ownership, but hoped on the contrary to build up an organization of colleagues with whom they would share both the management and the ownership. In the forming of the new corporation in 1912, four men were invited to become partners or associates, each of whom became at the same time head of one of the four pyramids into which the management of the store was divided. A division of stock was made at that time, the majority vote remaining with the two Filenes. By 1928 the Filenes' voting rights were to become somewhat less than 50 per cent. Moreover, it was generally understood (though its legal basis in the by-laws has been a subject of controversy) that on the retirement of the general manager or the assistant

general manager from the business their stock might be sold to the corporation and through it either to employes other than the Management or to the Filene Co-operative Association, majority control being first assured to the members of the Management.

The first test of the plan of fourfold organization came in August, 1918, when one vice-president resigned to accept war service. The vacancy created by his resignation was never filled, and his shares of stock were first held in trust and finally distributed in the financial reorganization of 1928. In 1925, another position became vacant when a vice-president died and the two remaining vice-presidents purchased his stock. The bearing of this disposition of the stock of former partners upon employes' general participation may be summed up in this way: Underlying the idea of owner-management is the thought that ownership goes with the function and the position, rather than inhering in the individual. Once the principle is adopted that functioning in the organization is the basis for sharing in ownership, control by outside stockholders is eliminated. Owner-management then becomes a very interesting experiment looking toward complete control of the business by its managers. If then another conception is added, namely, the sharing by labor in management, the way is open for an entirely new status for employes as, in part, owner-managers in a business.

In the actual experience in the Filene store the original stockholders increased their power and their share in ownership and finally, in the general financial reorganization in 1928, when some stock was sold to the public, any idea of a possible wider distribution of stock through the Filene Co-operative Association or to employes other than the Management was abandoned. That the owner-managers did not carry their philosophy to its logical conclusion has deprived the business world of the completion of an experiment whose planned principles promised a valuable contribution.

Chapter XVI—The Association—Its Successes and Failures

In the more than thirty years since its organization, the Filene Co-operative Association has manifested certain significant tendencies within its own organization and in relation to the management of the business. The distribution

of responsibility has become increasingly differentiated. Instead of the meetings of the entire membership held in the early years to discuss and decide all important issues, the Association has a representative Council which takes charge of its affairs, and the function of the members at large is limited to electing members to the Council, to the Arbitration Board and to certain committees. The elections, however, have significance, and in the issues which are discussed general interest is aroused in the policies of the Association. The function of voting nevertheless has become more restricted as more and more committee members are appointed rather than elected. The first representatives of the Association on the Board of Directors were chosen by the members, but soon the function of nominating them was transferred to the Council.

In turn, the members of the Council have become less active as its function has been restricted to passing on recommendations made by the executive secretary or the president of the Association. Generally speaking, also, the Council does not busy itself with important problems. This may be due partly to the curtailment of the right of the Association to participate in methods of distributing profits. It is also due to the growing power of the Operating Committee and the tendency to concentrate management and ownership in the hands of a few. On the other hand, with the increase in the size of its paid staff the administrative work of the Association has been increasingly well done, but there is no longer the opportunity for members at large to participate actively either in determining policies or in carrying them out.

The participation of the Association in management has been mainly limited to problems of personnel, and in these problems it has done its best work in the correction of injustices to individuals. It has been concerned with matters of discipline and welfare. It has been negative on the problem of wages in general and has had no share in the setting of rates. When it has displayed initiative, as in the discussion of the plan for profit sharing and in the matter of responsibility of F.C.A. directors to the Association, it has been met by decisions on the part of the Board of Directors which checked further efforts in this direction.

The analysis already given of the history of profit sharing shows that here, too, the tendency has been away from participation by the rank and file and increasingly toward

concentration in a comparatively small group. At the same time, the bonus has represented an increasingly larger percentage of the earned surplus as larger and larger bonuses have been awarded to executives and specialists as part of their market rate of compensation. Finally, the possibility of participation in ownership on the part of the Filene Co-operative Association as a group or by its individual members was closed for the time being at least by the financial reorganization of 1928.

In general, the trend of the Filene Co-operative Association has been away from active participation in management. Doubtless the responsibility for this rests both upon the Management and upon the employes. The Management has certainly not used its full opportunity to realize the possible function of an employes' association in relation to vital aspects of employment, nor, on the other hand, have the employes been alert to make demands regarding their own status as a group in the business.

PART III—PERSONNEL DIVISION OF THE STORE MANAGEMENT

Chapter XVII—Organization of the Personnel Division

In contrast to the Filene Co-operative Association, which is regarded as the employes' side of personnel work, the Personnel Division is thought of as the Management's side. It consists of two departments, Employment and Training. These two units and their co-ordination with the work of the Filene Co-operative Association are the responsibilities of the personnel superintendent, who derives his authority through the store manager from the vice-president in charge of the pyramid known as "the store." The work of this division and its importance in the whole set-up of the organization of the store grew out of the early days of the store's history when considerable attention was paid to the selecting and training of employes.

Chapter XVIII—Resources and Selection of Labor Supply

With the aim in view of securing competent employes, attention is given to the development of resources for finding them, and certain methods and procedures have been developed for selecting the right worker for the right

place. As a whole, however, the procedure of the Employment Department has impressed the investigators as requiring more attention than it now receives.

Chapter XIX—Follow-up

The Employment Department is responsible for rating each employe periodically. This occurs after the first thirty days of employment and then semi-annually for the first two years and annually thereafter. Evidence seems to show that both executives and non-executives accept this semi-annual review as a sincere attempt on the part of the Management to measure efficiency and capacities for the good of the employe as well as for the good of the management. The extent to which this purpose is accomplished is, however, questionable.

The usual tasks of transfer, promotion and withdrawal from employment also devolve upon the Employment Department, but the right to discharge rests exclusively with the vice-president in charge of the store and is, as has been pointed out, subject to review by the Arbitration Board of the Filene Co-operative Association.

Chapter XX—Training, 1902–1912

Chapter XXI—Training, 1912–1922

Chapter XXII—Training, 1922–1927

The methods of training have gone through an evolution from the early conferences when the store was small to the period when, in order to relieve executives, the responsibility was concentrated in a Training Department, and finally to the decentralization of this function, making the Training Department merely responsible for assisting executives in this task.

In the evolution of a content of instruction the Training Department has made a real contribution, particularly in the way in which the worker has been called upon to assist in deciding what is important to teach. To accomplish this best, the unit of instruction was the occupational group. There seems to be danger that with this increasing tendency to decentralization progress in developing the content of instruction was checked. The question is raised, however, as to whether a research department might not have accomplished this better than the Training Department, and

whether an effective organization of research along these lines would not tend to make constantly available the crystallization of experience.

PART IV—CONCLUSION

Chapter XXIII—Summary and Results

The threefold aim of the business, permanency, profit and service to customers in its accepted sense, seems to have been fulfilled to an unusual degree. Toward the large aim of constantly decreasing the difference between the cost of production and the cost to the consumer, which should be regarded as a part of "service to customers," the store has made little or no contribution except in its automatic bargain basement. The methods of building up the co-operation of employes, through participation in management, through participation in profits and through ultimate participation in ownership, have one by one been abandoned or seriously limited in practice. Nevertheless the experience of this store certainly demonstrates the desirability of giving attention to the selection, the training and the goodwill of employes. Had the firm persisted in its further objectives of sharing management, profits and ownership, a demonstration of great value in human relations might have been made. That experiment still waits to be made in some large store; and when it is undertaken, the experience, the successes and the failures of this Boston store will have much to offer for practical guidance.

PREFACE

THIS study is the fourth in the Industrial Relations Series undertaken in 1919 by the Department of Industrial Studies of the Russell Sage Foundation. The central idea for investigation was the participation of wage-earners in management as it is actually being exemplified in industry in the United States. The problem may be thus stated:

> How can the complex and impersonal character of large-scale modern industry be reconciled with the need of human beings not only to earn a livelihood but to have the satisfaction of self-direction and self-expression in work? In those industries which have sought to find a solution by giving wage-earners as a group some share in management, what have been the actual results in day-to-day practice?

The formulation of this large problem grew out of a preliminary analysis of industrial relations in the United States made by representatives of the Russell Sage Foundation immediately after the World War. During the war many new plans of relationships between employer and employe had developed under the general title of employes' representation or shop committees. Likewise, trade unions were developing new methods in their relations with employers. These experiments ranged from committees having merely advisory powers on comparatively minor questions to more far-reaching plans to give representatives of wage-earners a voice in the management of industry. It seemed desirable to analyze some of these experiments and to make a record of the results of experience.

Rather than make an extensive survey, it was decided to select outstanding experiments in different branches of business and industry. We are not seeking to make an inventory but to take one plan in one industry at a time and gradually accumulate enough studies to throw light upon the central problem. We have already made studies in the coal mines, the steel industry and a bleachery in the textile trade, which have been published in the Industrial Relations Series referred to above.[1]

In this inquiry in a Boston store we turn from production to distribution. Instead of coal miners, steel makers and textile workers, it is saleswomen and men and their co-workers who are the center of interest. Conditions differ in these branches of economic activity. Out of the contrast in conditions we may gradually sift the common elements in human relations and understand better the fundamental basis for reconciling group interests. Even a casual reading of the daily papers gives an impression that the groups engaged in industry today are in conflict with one another and with the public interest. Understanding of the causes of this conflict is not enough. We need also experiments looking toward a solution. Such experiments are already being made. It is the task of the investigator to make the record that will conserve their results.

[1] The titles of these studies issued by the Foundation, under date of 1924, are:

Selekman, Ben M., Sharing Management with the Workers, a study of the Partnership Plan of the Dutchess Bleachery.

Selekman, Ben M., and van Kleeck, Mary, Employes' Representation in Coal Mines, a study of the Industrial Representation Plan of the Colorado Fuel and Iron Company.

Selekman, Ben M., Employes' Representation in Steel Works, a study of the Industrial Representation Plan of the Minnequa Steel Works of the Colorado Fuel and Iron Company.

This study is not only one of the Industrial Relations Series of the Russell Sage Foundation, but it supplements two other books which deal with personnel relations in this same store. These were written by Edward A. and A. Lincoln Filene, the men who are primarily responsible for the ideas and the policies of the Filene store. Within the year 1924, A. Lincoln Filene published A Merchant's Horizon, and Edward A. Filene, The Way Out. Both set forth their philosophy and to some extent their experience in industry in the United States. The three books taken together constitute an unusual record of the human aspects of a successful business from three different points of view.

In the following pages we have tried to expound the ideals and principles of the Filenes. To A. Lincoln Filene the "gathering consciousness of dignity and value in the working man" seems clear to all in the twentieth century. He deplores the fact that some of his fellow-employers regard this force as "a menace and not a help." Indeed to them it appears to be "a rocking of their thrones, to be fought to the last." For them he has sought to record the central fact of the Filene experience, namely, "the financial gain, the hard money, as well as the human advance that results from making colleagues rather than antagonists of one's work-associates."[1] In giving a voice to wage-earners in the employ of the firm the aim has been "to create and foster an enlightened self-interest."[2]

Not a Utopia known vaguely as democracy, but a sensible recognition that good business demands har-

[1] Filene, A. Lincoln, A Merchant's Horizon. Houghton Mifflin Co., Boston and New York, 1924, p. 2.

[2] *Ibid.*, p. 14.

mony is set forth by Mr. Filene as the guiding principle in seeking to give more democratic power to the rank and file in the store. Nevertheless the democratic ideal is there. "If conscience is to count, then the effort to democratize business must go on."[1]

Yet progress, even through thirty years of sincere and conscious effort, has been slow. "The real failing we have to confess against our rank and file is that they do not yet assert themselves to the full of the opportunity offered."[2] And in another place he expresses the same thought differently: "While the democratic idea —or, as I prefer to call it, the American idea—has permeated business rapidly enough, still the penetration has not gone far, and whatever of democracy there is in industry is yet and must necessarily be, in diluted form."[3]

Edward A. Filene believes also in democracy, as the development of the ideas of industrial relations in which he has had a leading part shows. In recent years, however, the emphasis in his thinking has been rather upon the need to decrease waste and increase efficiency throughout industry as the best contribution to the democratic ideal. Democracy in the management of a company taken alone interests him, but this is only one aspect of the problem of making industry as a whole serve better the community as a whole, including wage-earners. "The general democratization of industry," he says, "is not to be achieved by the simple device of issuing an executive order that the men in the shop shall have a vote on the conditions in the shop."[4] The shop

[1] *Ibid.*, p. 17. [2] *Ibid.*, p. 15. [3] *Ibid.*, p. 30.

[4] Filene, Edward A., The Way Out. Doubleday, Page and Co., New York, 1924, pp. 138–139.

is a nucleus and an educational force, but freedom for human beings in a complicated economic world demands control of all the economic forces entering into the world's business. In another place he has stated the matter as follows:

> In the final analysis beauty is the greatest objective of the world. But we cannot teach spiritual truths effectively to starving people. One great way to make more beauty in this world is to make the obtaining of a living—the obtaining of the necessary food, clothing and shelter, and the necessary minimum of luxuries—so mechanical and so little time-consuming that we shall have time for avocations—have time to work for and search for better things—to search for beauty. This can be accomplished by saving of waste, by more economic justice, by invention and better organization of production and distribution, by better training of workers and leaders.[1]

The idea of research in business is one strongly advocated for years by Edward A. Filene and now part of his program for mass distribution. He believes that policies in business must be guided by research, and for large-scale operations this must be systematic and based upon the experience of a number of establishments.[2]

What have two men with ideas like these been able to accomplish in the conduct of their own business in relation to the specific problem of the status of wage-earners? They have been fortunate in being engaged in a form of business which has been in process of devel-

[1] Contributions of Research to Business. Address before 69th Convocation of the University of the State of New York, Albany, N. Y., October 19, 1928. (Privately printed by Mr. Filene.)

[2] *Ibid.*

opment and has therefore not been handicapped by the strong hand of tradition.

The business of retail storekeeping on a large scale has developed within the last fifty years. Unlike factories, stores have not experienced the industrial revolution centering about the invention of the machine. The large store, however, is a result of the machine. The increasing capacity of the factory to produce goods has necessitated large-scale organizations to sell goods. In distribution as in production the problem of the status of human beings under the conditions of large-scale operation is fundamentally the same.

Industrial conflicts between employers and employes nevertheless have not occurred in stores. Industrial unrest, manifesting itself in strikes, has been found in businesses engaged in the production of goods, not in their sale. Similarly, wage-earners employed in stores have not organized trade unions to any appreciable extent. Such employes' organizations as exist in a store like Filene's have been developed on the initiative of the employers and not of the employes.

This contrast in setting helps us to understand better not only the conditions in stores but also the problem of employes' representation in factories and mines. It is as one of a series of studies and not as an isolated inquiry that this book should be read. How it differs from the preceding studies will become clear as the facts are set forth by the investigators. One characteristic only needs emphasis at this point: Relations with employes and the procedure and form of organization which express them have been part of the whole program and policy of doing business in the Filene store. For example, if good service to customers be the central goal,

then the plan for training the employe who deals with the customer, while an aspect of the relations between employer and employe, is also as integral a part of the Filene methods of management as the choice of goods to be offered to customers. This characteristic has made it necessary to include in the inquiry the whole plan of organization of the business.

The methods of inquiry will be described more fully in the Introduction to this study. Here it should be noted that Mary La Dame, upon whom has fallen the chief responsibility for writing the report, had herself had previous experience in the problems of retail selling, covering some six years in stores in New York and in Boston, including Filene's itself. Afterward she was associated with the Bureau of Salesmanship Research of the Carnegie Institute of Technology, working out and applying psychological tests for salesmen and representing the Bureau in two department stores which subscribed for this service, one in Philadelphia and one in Pittsburgh. For two years before beginning the study of the Filene store she was engaged in industrial investigations for the Russell Sage Foundation, particularly in the study of public employment bureaus, which gave considerable insight into the problems of securing and training employes in American industry.

Edwin S. Smith, who worked with Miss La Dame during a nine months' period of constant interviewing, observation and study of records in the store, had previously taken part in studies of employes' representation for the Russell Sage Foundation and had before that carried on special investigations in the plant of the Dennison Manufacturing Company at Framingham, Massachusetts, which has long been noteworthy for its

constructive experiments in wage-earners' participation in management. Mr. Smith was unable to collaborate in the writing of the final report because shortly after completing the study in the store he accepted the position of employment manager in the Filene company, and afterward became assistant to A. Lincoln Filene in connection with his public activities.

While the book was going through the press certain important changes were made regarding the financial organization of the business. A combination was effected with Abraham & Straus, Inc., of Brooklyn, F. R. Lazarus & Co., of Columbus, Ohio, Bloomingdale Brothers, Inc., of New York, together with R. H. White Company, of Boston, already affiliated with Filene's. Such a combination is likely to have a profound influence upon the type of relationships set forth in this study of the Filene store. Owner management will probably give place to a form of administration primarily responsible to a joint holding corporation which is financial in its primary function but likely to be authoritative in its relation to the managerial policies of the businesses owned by it.

A long series of acts in the Filene store led up to this combination. They are described in the following report. Their full significance, however, was not demonstrated until the holding corporation was organized. Little by little control has been concentrated in the hands of stockholding managers as contrasted with diffusion of control through employes' participation in management. The hope that employes might ultimately share in ownership was gradually abandoned. In the various decisions which were made, differences of opinion between the members of the firm emerged which

struck deep into the policies affecting relationships between owner-managers and employes.

As the text will show, Edward A. Filene was frequently outvoted in these decisions. Nevertheless his ideas and their specific forms as they are revealed in the history of the Filene store are bound to have influence in the business world even though they were not carried out consistently in this company.

In so far as the ideas of the Filene organization on employes' relations have failed of fulfilment, the experiment illustrates a problem common to many businesses today—that the sharing by employes in management is liable to be withdrawn by stockholders who control the business unless the plans for employe relations are reinforced by a more impersonal power than the goodwill of the original owners.

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INTRODUCTION

ONE of the first firms in the United States to experiment with employes' participation in management[1] was the apparel store of William Filene's Sons Company of Boston, Massachusetts. Relations with employes, particularly the establishment of just conditions of work, records indicate, have ever been a subject of consideration by the owners of this store. These assumed proportions of significance at the very beginning of its history. For such relations, it was recognized, were inextricably tied up with the objectives of the business. Success, as the Filenes have always conceived it, largely depended on their workers. Accordingly, the very structure of the corporation and the organization of the store were determined with the relationship between employer and employe in mind.

It was in 1881 that William Filene opened at 10 Winter Street, Boston, the store which has grown into the Filene's of today. Here he sold gloves, trimmings, laces, veils, furs and buttons. This venture, however, was not his first in retailing. Shortly after his arrival in this country, he established himself in Boston as a merchant tailor. Merchant tailoring had its drawbacks. The drygoods business, on the other hand, seemed to offer great inducements to an alert and am-

[1] Management here and throughout the study is used in its broad and popular sense to include "the formation of policy, its execution, the designing of the organization and its employment." (Sheldon, Oliver, The Philosophy of Management. Sir Isaac Pitman and Sons, Ltd., London, 1923, p. 33.)

bitious young man willing to work. Accordingly, in 1856, William Filene entered this business. During the twenty-five years that followed he pursued it, except for a short interim, first in Salem and then in Lynn, Massachusetts. In the latter city he operated two stores, one of which specialized in women's wear; the other in men's and boys'. Simultaneously he conducted a store in Bath, Maine. All three were sold some time after he had established himself in Boston in 1881.

On a rich experience in retailing, then, the present Filene store was founded. It grew rapidly, but not too rapidly to be sound. In 1901, William Filene turned the business over to his sons, Edward A. and A. Lincoln Filene. When this study was begun Edward A. Filene was president and assistant general manager of the corporation; A. Lincoln Filene, general manager and treasurer. After the resignation of John R Simpson in 1918 and the death of Thomas K. Cory in 1925, the Filenes shared the ownership and management of the business with the remaining two of the four associates whom they had taken into partnership in 1912. These two were Edward J. Frost and Louis E. Kirstein, each of whom was a vice-president in charge of two of the four divisions into which the work of the store was divided. The largest single store of its kind in existence, its personnel numbered about 3,000.

Throughout the years of its growth provision has been made in the organization to recruit and select workers, to train them and to establish satisfactory conditions of work. Employes' participation in management took most definite form in the institution of the Filene Co-operative Association. Apparently this Association grew up as an early by-product of the Filenes'

attitude toward their employes. No one, in fact, knows the exact date when it was established. But on September 25, 1903, a constitution for the Association was adopted and it became an integral part of the machinery of the store. Every employe, by virtue of his employment, is a member. Its purpose is "to give its members a voice in their government, to increase their efficiency and add to their social opportunities, to create and sustain a just and equitable relation between employer and employe."

This voice is to be exercised through authority granted the Association to initiate or to amend all rules concerning conditions of employment or any other matter except policies of the business. Further, through an elected arbitration board, on which the managers are not represented, power is given the Association to govern discharges, transfer of employes, or any other condition of employment that may be in dispute. Up to the reorganization of 1928 the Association had the right to nominate four members of the company's Board of Directors, 11 in number, thus relating the employes not only to conditions of work but to the whole management of the business. In that year this right was withdrawn, but it was in effect during the period of this study.

Have employes used the powers given them through the Filene Co-operative Association, and what have been the results for them and for the business? Have the owner-managers consistently sought to make the idea of co-operation a reality?

A detailed answer to these questions is the main theme of this study. It should have significance for the whole movement, now in its beginnings in the United

States, for the participation of wage-earners in the various functions of management.

Selection of this experiment as one of the series of studies in wage-earners' participation in management undertaken by the Department of Industrial Studies of the Russell Sage Foundation was determined by several circumstances. First, it had had a long history, extending over more than twenty-five years of definite organization preceded by twenty more in which the owners had fostered human relations in the company. Second, the public had shown widespread interest in the experiment, but no thorough analysis of it had been made. Third, the attitude of the owners toward such a study was co-operative. Fourth, as already pointed out in the Preface, it offered an opportunity in a field entirely different from that of the three preceding studies—coal mining, steel making and the bleaching of textiles. The companies that those studies dealt with are engaged in production; Filene's, on the other hand, is engaged in distribution.

SCOPE

The exploratory field investigation revealed the fact that employes' representation in management at Filene's was but part of a comprehensive personnel program. This program was planned to meet the many varied problems entailed in the initial employment and the maintenance of a satisfactory force of workers. It was concerned with questions ranging all the way from those pertaining to the status of employes in the management and ownership of the business to those related to their recruiting, selection, training, transfer, promotion, follow-up, and separation from employment,

their hours, wages and other conditions of work, including those pertaining to their general welfare. The contribution of the Filene experiment, it seemed clear, lay not so much in wage-earners' participation in management as in the whole setting of the personnel program of which it was a part.

The specialized machinery established to execute this program consists of the Filene Co-operative Association, already mentioned, and what is known as the Personnel Division of the store management. This division is made up of two units: the Employment Department and the Training Department. In addition to these, an agreement known as the associates' agreement,[1] entered into by the original owners of the store and the other members of the corporation in 1913, contained important provisions controlling the ownership of stock by employes and the distribution of profits. Study of the actual operation of the Filene personnel program, therefore, involved not only an analysis of the activities of the Filene Co-operative Association and careful investigation of employment, training and related activities, but also the sharing of profits with employes and their contemplated ownership of the stock of the corporation.

More specifically this study attempts to answer among a number of other questions the following: What are the objectives behind the personnel program of this store? To what extent have the employes, through the Filene Co-operative Association, determined their conditions of work? What has been the history of their action on hours of work, vacations, wages,

[1] This came to an end in 1928, as explained in Chapter XV, Stock Ownership, p. 306.

profit sharing, problems of discipline and welfare? How does the Arbitration Board which has been granted power to settle all grievances actually operate? Is such a board not a risk to the security of the authority of management? How have the representatives on the directorate of the corporation nominated by the Filene Co-operative Association actually voted? In what functions of management other than those directly related to personnel has the Association participated? What have been the results of the plans to share profits and to grant employes a part in ownership of the stock of the corporation? What significant developments does the history of the Filene Co-operative Association reveal?

As part of its personnel program, what policies has the company adopted governing the recruiting and selection of employes, their promotion and discharge, their wage rates? What personnel records are kept? How are employes trained? How much significance has been attached to training, and what have been the important results learned by experience in the training of employes?

Finally, to what extent have the objectives of the personnel program of the company been attained?

SCHEDULE OF INQUIRY

To answer these questions inquiry was made on the following points:

I. The Filene Co-operative Association
   1. Origin and purpose
   2. Evolution of the constitution and present form of organization
   3. Questions acted upon by the membership at large

4. The Council
   a. Membership
   b. Procedure
   c. Action taken, particularly in relation to
      (1) Wages
      (2) Hours
      (3) Profit-sharing
      (4) Store rules
      (5) Other matters directly affecting employes
      (6) Problems of management, other than those directly concerned with personnel
5. The Arbitration Board
   a. Origin and purpose
   b. Membership
   c. Evolution of procedure
   d. Analysis of cases
6. Committees
   a. Origin, purpose and development
   b. Organization
   c. Accomplishments
7. The members of the company's Board of Directors nominated by the Association
   a. Origin and purpose
   b. Methods of choosing and the choice
   c. Participation in the board's decisions
8. Cost

II. The Personnel Division
   1. Origin and development
   2. Organization, policies and procedure of the Employment Department
   3. Organization, policies and procedure of the Training Department
   4. Cost

III. Objectives of the business

IV. Ownership of the store from its beginnings to date

V. Evolution of the organization and policies of the store

VI. The financial history of the business
VII. The employes
    1. Sex
    2. Age
    3. Education
    4. Initial and present position
    5. Length of service
    6. Weekly wage rates
    7. Earnings for a selected week
    8. Share in profits
    9. Turnover
VIII. Company's policy toward trade unions and its operation in the store

SOURCES OF INFORMATION

Documents, statements of persons interviewed, meetings attended, the experience of the investigators in positions in the store, and the course of human relations as observed continuously throughout the field investigation—these were the sources from which information on the foregoing subjects was collected.

Documentary Data. By far the greater part of the data was obtained at the store from its printed, typed or handwritten records. To obtain a knowledge of the legal status of the business and the Filene Co-operative Association; to get the facts about the ownership of the business, past, present and future; and to find out exactly what provisions had been made for profit sharing by employes, an analysis was made of the by-laws of the corporation and the various agreements among the owners. The compilation of so-called store policies revealed in some degree the aims of the business, the divisions into which the work of the store was divided, the standards to be achieved by these divisions

and the methods of attaining them. The charter and various revisions of the constitution of the Filene Co-operative Association indicated its purpose, organization and relation to the Management.

Minutes of Meetings. For information as to the officers of the Association and the personnel of its committees, the problems it dealt with, the action it took on them and the results, all extant minutes of the meetings of its Council, Arbitration Board and various committees were studied. In addition, minutes of meetings of the stockholders, of the Board of Directors and Management from 1903 on, and of the Operating Committee since its establishment in 1918, were examined. These indicated not only the function of the groups mentioned but also their concern with the Filene Co-operative Association, the Personnel Division and personnel problems generally. In analyzing the minutes of meetings of the Board of Directors, particular attention was paid to the votes of those members nominated by the Association.

Furthermore, an analysis was made of the minutes of meetings of the following occupational groups of employes, organized largely for purposes of training: committees of the sales force, chauffeurs, elevator operators, floor clerks, floor superintendents and others. These records threw light not only on methods and problems of training and the participation of workers in management, but also on the relationship of these groups to the Filene Co-operative Association.

Other information on the organization and functioning of the Personnel Division and the Filene Co-operative Association was secured from the six months' plans and from the semi-annual and annual reports of

the executives in charge. In addition, the periodic reports of the general manager to the company's Board of Directors contained data on personnel problems. Furthermore, studies of bonus plans, methods of wage payment and other subjects, made by the Research Department of the store, offered valuable information; so also did personnel studies made by the Retail Research Association.[1]

Manuals embodying the standard practice of various jobs, others on the merchandise of selling departments and still others on salesmanship as applied to particular departments, were examined for information about training. Also efficiency bulletins and outlines of courses for executives and other employes were reviewed.

To make sure of the historical development of the Filene Co-operative Association and to amplify and verify the information gathered from other sources, a careful analysis was made of the files of the Echo, the house organ of the Association, which go back to 1902. During more than twenty-five years the Echo has been published weekly except for a short time when it was issued monthly. It contains accounts of the proceedings of the Association, items about its officers and other members, including the owners of the store, and communications from them; reports about problems of employment and training, activities of groups of employes organized according to occupation, changes in the organization and personnel of the store, innovations in its operation, its sales and other matters. Then there are editorials on the bonus, the platforms of candidates for election to office in the Association, the policy

[1] See p. 90.

governing vacations, the elimination of waste and comparable topics.

Other material studied in this category of data consisted of the booklet of rules governing employes, pamphlets of the Filene Co-operative Association, leaflets and handbills issued by it during its campaigns to promote sales or elect officers, and articles about the store published in books, magazines and newspapers. Particular attention was paid to the books and articles written by the Filenes and to reports of their speeches. Moreover, reference was made to a number of other books, pamphlets and articles bearing upon retailing and personnel management.

Communications containing suggestions, recommendations and decisions from the Board of Directors, Management, Operating Committee, president of the company, general manager and others to the Filene Co-operative Association, and replies and other correspondence from the Association added and verified information. Again, contributions were found in petitions to the Council of the Association, appeals to the Arbitration Board and other communications from employes, as well as in memoranda from the store's attorneys and outsiders who had been invited to give advice about personnel policies.

To ascertain the growth of the business, its expenses and profits and the share of profits received by employes, an analysis was made of the financial statements of the company, some of which date from 1899. Additional data were secured on the current cost to the business of the Filene Co-operative Association, the Personnel Division, "Help Wanted" advertising and other items of expense. Moreover, an examination

was made of the finances of the Filene Co-operative Association, particularly of its Benefit Society, Credit Union and restaurants.

Another source of information lay in tests given to candidates for employment, forms for rating and others used in the employment and training departments, charts of the organization of the store, diagrams indicating the trend of employment and labor turnover, and ballots for the election of officers and committees of the Filene Co-operative Association. All were studied.

Properly to analyze the operation of personnel policies demanded pertinent and objective data about the employes in question. To what extent did their number, sex, age, education, occupation and length of service affect their relations with the company, especially their participation in management? How did their age and education compare with the standards defined in the store policies? What evidence was there that policies governing wages and promotion were put into practice? To what extent did the earnings of employes and the share of profits they received give evidence of the application of the theory of co-operation? What was the labor turnover and what light did it throw on security of employment and the stability of employes?

To secure data essential to the answering of these questions, what records were available in the store?

First to be considered was the payroll. It offered information on the number of workers regularly employed, the date on which each was employed, sex, position, rate of compensation, the days worked, commissions and overtime, if any, and net earnings. Accordingly the payroll for the week ending October 2, 1926, was

analyzed. This week was chosen as one representing active employment, free from pronounced seasonal fluctuation.

Record of the distribution of bonuses is kept in registers according to years. From the register for 1925 a record of both the individual awards and the total awards for the year was obtained.

The distribution of bonuses for 1925 represented the most recent typical distribution available for purposes of this study. Prior to 1926 the fiscal year of the store ended August 31. Bonuses were distributed the following October. The decision in 1925 to change the date of the ending of the fiscal year to January 31 resulted in the award of a special bonus covering a period of five months, from September 1, 1925 to January 31, 1926. For the fiscal year ending January 31, 1927, bonuses were not distributed until April, 1927, and therefore after the completion of our field investigation.

A great deal of data about employes, pertinent to their employment, is recorded on so-called master cards.[1] They furnished information about the sex of employes, their education, initial and current occupation, and initial rate of compensation. Some of these items duplicated data gained from the payroll and therefore served to verify them. From 1916 on, the store has kept some record of labor turnover. This was analyzed. To provide a basis for comparing the wage rates and earnings of women employed at Filene's with those of women employed in retail establishments throughout Massachusetts, data were secured from the Division of Minimum Wage of the Department of Labor and Industries of Massachusetts. Further, to

[1] See pp. 466–469.

determine the relation of the wage rates and earnings of women employed at Filene's to the cost of living, the budgets adopted by the wage boards of Massachusetts were also collected.

Unfortunately, comparable data for men employes were not found.

Statements of Persons Interviewed. That most of the information required for this study was supplied by documentary material is perhaps evident. Here and there, to be sure, gaps in this material existed. It contained no reference to certain periods in the history of particular conditions or activities, the results of votes and action and the effects of specific provisions previously noted. Moreover, some of the information was vague; other parts of it needed to be verified. In order, therefore, to fill known gaps in the documentary data, to clarify and verify them and to determine their existence and availability, as well as to get clues to possible events, conditions or explanations which may have entirely escaped reference in the recorded data, recourse was had to interviews.

Necessarily an interview had to be built around the particular questions to which answers were desired. These were thought out in advance and frequently, though not always, jotted down. Usually they were applicable to only one interview.

When there was no record of participation, the interview also served as an instrument for determining the acquaintance of employes, particularly the rank and file, with the Filene Co-operative Association and other personnel provisions.

Approximately 335 persons were interviewed. Of these, 10 were outside the store; the remaining 325 were

on the payroll of the company. They included the owners of the store; incumbent and past officers of the Filene Co-operative Association, members of its Council, Arbitration Board and committees; rank-and-file workers; executives and staff specialists in the Personnel Division, as well as in other sections of the organization. Naturally the choice of persons interviewed was determined by the particular purpose to be served. In a number of instances several interviews were held with the same individual.

Meetings. Through the presence of the investigators at meetings, knowledge was gained of their organization, proceedings and personnel. Over 50 were attended by either one or the other investigator. Among them were sessions of clubs, the Arbitration Board and committees of the Filene Co-operative Association, classes of instruction and meetings of various groups, including a number sponsored by the Personnel Division.

Store Work Done by the Investigators. To get acquainted with employes and their conditions of work, to obtain information on the nature of occupations and to learn about the merchandise and customers, each of the investigators worked for a short time as an employe.

Dates of Field Work. One or both of the investigators were in the store continuously from August 15, 1921 to August 11, 1922: Miss La Dame was there again for two months in the fall of 1926. All the data were then reviewed in 1927 and subsequent developments were followed by means of correspondence and interviews.

In accordance with the practice of the Foundation, the manuscript of the study was submitted before publication to the Filene Company for criticism. It was read in whole or in part by 16 representatives of the

store, including members of the firm and of the staff of employes. On the basis of their criticism and an outline prepared by one of the investigators, additional data were collected. These have served to meet the needs in particular instances for supplementary material and to bring the study up to date as of the end of the fiscal year, January 31, 1927. Events of 1928 and 1929, as related to stock ownership, and certain changes in management, have been recorded throughout the text on the basis of correspondence and of interviews held after the manuscript had been set in type.

As presented in the following pages, the study falls into four parts. Part I outlines the theory behind the Filene personnel program and the essential facts about the store and its workers. It is the purpose of this part succinctly to acquaint the reader with the "total situation," to show him a panoramic view prior to the "close-ups." Part II attempts an intensive analysis of the Filene Co-operative Association; Part III, a corresponding analysis of the Personnel Division of the store management down to January 31, 1927; and Part IV, a summary and an evaluation of the personnel program as a whole.

PART I
PERSPECTIVE

CHAPTER I

A PHILOSOPHY OF INDUSTRIAL RELATIONS

THE personnel program of William Filene's Sons Company is the outgrowth and expression of a distinct philosophy. It is through the aims of the business, as early conceived, that the most direct approach to this philosophy seems to present itself.

"Early" in the foregoing paragraph is used advisedly. Like most things, aims are not static; they are subject to change. But the degree to which they change varies with their soundness and foresightedness and the growth of the individuals responsible for their attainment. Until comparatively recently the objectives of the store, as originally designated, gave little evidence of modification. That they have now shifted, at least in emphasis, is certain. But, be that as it may, the business as it is today is the fruit of purposes defined more than three decades ago.

BUSINESS AIMS

When, in 1901, Edward A. and A. Lincoln Filene took over the business from their father, they asked themselves several fundamental questions: What type of business was it desirable for them to operate? What were to be the purposes behind it? Which should be particularly emphasized? From a thoughtful consideration of these questions gradually emerged three specifications, in accordance with which the store was to be conducted. These were permanency, profit and service.

Permanency. Perhaps the most far-reaching of these specifications was that the business should be built to endure. Though the sons of William Filene longed to be poets or scholars or engineers, the die had been cast. They were to be "shopkeepers," to carry on his business. Certainly shopkeeping had not evolved beyond the stage where improvement was impossible. Quite the contrary, it was as yet an almost untouched field. Into it they might bring something of the vision of the poet, the careful study of the scholar, the soundness of structure of the engineer. They foresaw what the application of thoughtfully devised and interested effort could do for it.

If shopkeeping, then, was to be their occupation, if it was to elicit their best, that best should be perpetuated. Not to perpetuate it would be waste. Waste was more or less prevalent everywhere. In their own case, the brothers could and would take measures to prevent it. Long-time policies would be their slogan. They would plan for the future.

On this subject A. Lincoln Filene expresses himself as follows:

> It has long been our thought that one of the primary duties of a serviceable business is to see to this perpetuation of itself. It is economical to society and that means all of us—to keep a settled business going; it is costly to society to be forever financing the experiment of new ones.[1]

Edward A. Filene gives voice to the same idea:

> Business is, after all, a public trust. We have no right to organize industries so that they are wholly dependent upon

[1] Filene, A. Lincoln, A Merchant's Horizon. Houghton Mifflin Co., Boston and New York, 1924, p. 11.

our personal vision and goodwill or upon the personal vision and goodwill of our immediate successors whom we can influence. We have no right to build a business upon principles and procedures that will not be valid and workable after we and our sons are dead or disabled.[1]

And again:

A business man is a failure, although he makes millions of dollars, if he creates a business so dependent upon his personal administration that it disintegrates after his death. Any business that is an asset to the nation rests upon something more permanent than a personal bag of tricks. It is this fact that lends importance to any search for the principles of permanently successful business.[2]

Profit. The second and all-important specification prescribed for the store was that it should make money. But this, it will be objected, is too general to be significant. Just how much money did the store intend to make? As much, it may be answered, as was legitimately possible and at the same time consistent with its other aims. But, someone will ask, what is meant by "legitimately"? Nor can this be defined precisely except by standards controlling the mark-up of merchandise, i. e., the difference between its cost and selling price. That competition makes the establishment of such standards difficult, if not impossible, is perhaps evident. The following statement, however, though rather recently adopted by the Filene directorate and subject to differences of interpretation, may throw some light on the profit motive of the company as it has consistently governed operations.

[1] Filene, Edward A., The Way Out. Doubleday, Page and Co., New York, 1924, pp. 178–179.

[2] *Ibid.*, pp. 13–14.

We have no right to succeed as a store unless we are of real service to the community. THEREFORE:

1. We shall aim not to be undersold, and shall use every practical means to achieve this aim.

2. The continuation of the business requires that the retail price for which our merchandise is sold must cover

(a) the cost of the merchandise to us,

(b) our expense and other necessary charges,

(c) a reasonable profit.

3. Our duty to the public demands that we shall help to eliminate waste in production and distribution by eliminating unnecessary steps in the handling of merchandise from producer to consumer, and by so regulating our own expense of doing business that we shall be able to operate on a lower expense rate.

4. As we succeed in reducing the cost of our merchandise and our expense, the result will be a tendency to lower retail prices than would otherwise prevail. A portion of the saving to the consumer we shall be entitled to retain as "an extra reward for an extra effort that results in an extra saving" to the public.

5. Under the successful application of this policy the savings to the consumer should be apparent to the public in sufficiently numerous instances to enhance our reputation for progressive and successful leadership.

6. The application of the principles herein stated should result in increased goodwill, largely increased sales, and greatly increased total annual net profit.

7. We shall also recognize our obligation to divide this profit with those in our employ who helped to produce it.

Profit as an objective must not be minimized. Nor is it to be considered the less dominant because in this discussion it succeeds rather than precedes permanency. But the idea of permanency seems to us automatically to limit the margin of profit to be made in any partic-

ular period of time. It is a factor in the method of profit-making.

In the aim of the Filene store to make profit, it has shared an objective common to almost all businesses. For profit has been the motivating force of practically all industry; it has been the universal test of its success. Acceptance of profit in this latter capacity has been a condition of survival. Even consumers' co-operatives, whose aim is production for use, have adopted profit as a measure of their management.

The relation of the employes of the Filene store to profit will be discussed later in this chapter.

Service. Inextricably tied up with the aims of permanency and profit was another, that of service. Only as a result of this last could either of the former be achieved. And if the store could render the satisfactory service which was possible, survival and profit would be assured.

That industry exists for society and not society for industry, that its purpose is to satisfy the wants and desires of mankind, is an obvious truth. Emphatic application of that truth in the management of their store seemed to the Filenes the only intelligent procedure. Thus it was that the principle of service came to be adopted. Specifically, it was concerned chiefly with two things: merchandise, and the assistance rendered by employes, particularly salespersons, to immediate or potential customers.

"The right goods at the right time, in the right quantity and at the right price," is the statement of the merchandising policy of the store as it was formulated years ago. Again and again it recurred in the documentary data examined. While "right" begs the

question, the statement undoubtedly gives evidence of an attempt to establish standards of service. Emphasis has always been on the keeping of fresh stocks. But stocks can be kept fresh only if their turnover is rapid; and rapidity of turnover depends to a considerable degree upon price or value. This in turn must be sufficiently attractive to customers to induce them to buy the merchandise quickly.

To sell goods at diminishing prices or increasingly to give per dollar spent by the consumer goods of better quality—this was the aim of service as applied to merchandise. Its attainment, however, was not an easy matter. The Filene store was not altogether a free agent. It was but one of a multitude of units in the field of distribution and subject to many limitations. That any one unit, particularly a small one, in so diffuse, firmly entrenched and competitive a system could disregard that system and survive was unlikely. However, opportunities for improvement in methods of operation by a particular unit were by no means lacking. This improvement should redound to the benefit of the consumer and thereby to the profit of the unit. Incidentally, demonstration by a particular unit of more efficient methods of operation might have some effect on the system as a whole. But always it was with their own store that the Filenes were most concerned. And their aim increasingly to give their customers better and better values in merchandise was built on a challenge to themselves to perfect their own methods of retailing.

An essential part of the merchandising aim was the concept of a large volume of sales with a small margin of profit. The evolution of this concept is referred to

as mass distribution. Of this Edward A. Filene has long been an advocate. He says:

> The mass distribution which will follow mass production as a matter of course will find the biggest total profit in selling an enormous number of articles at the lowest possible profit per article. This means that the business man of the future, whether manufacturer or merchant, will make more money by reducing prices than the business man of the past has ever made by raising prices. He will strive always to bring prices to a lower and lower level, not from an idealistic social motive, but simply because it will be the best business policy.[1]

While values in merchandise were uppermost in the aim of service, also inherent in it was the method of salesmanship. Much was to be said for the belief that the right goods would sell themselves. But it was based on the assumption, first, that customers knew what goods they wanted and, second, that they knew the facts about them. These assumptions were true only to a degree. For example, variety in each class of ready-to-wear apparel was growing rapidly. It was being displayed in size, texture, color, design or style. Great differences were appearing in the quality and composition of fabrics that looked very similar. It was unlikely that many customers would know all the facts about their intended purchase. Salespeople should be trained to know these facts. They should become experts, giving customers the information required and giving advice as to appropriate selection. As customers became more intelligent in regard to purchases, the more certainly would salespeople need to be more highly trained.

[1] The Way Out, p. 99.

Trained salespeople would not be interested in selling merchandise which was not suitable or satisfactory. This reluctance would not be overcome by pressure from the store's buyers who had selected the wrong goods. If salespeople succumbed, buyers would probably repeat their errors, thus causing an increase in the number of dissatisfied customers and consequently a loss in profit to the business.

Knowledge of merchandise is not all that is involved in the aim of salespeople's service to customers. Behavior is a factor. What boots their skill if salespeople are inattentive, brusque or grouchy? Customers want courtesy and an alert and interested attention.

AIMS AND PERSONNEL

With their goal as to their customers defined, what, in the minds of the Filenes, was its relation to their present and future employes?

Certainly the first specification, permanency of the business, made possible to employes the fulfilment of certain primary demands. It was a condition of security of employment. Only in a continuing business and one in which successive owners and managers were being trained, could an employe feel at all sure that his position might last. When new and strange owners and managers enter a business they are likely to "clean house." To those, therefore, who wished to look forward to a long term of service with the store, its aim to endure should appeal as altogether desirable. It should also be most acceptable to those employes who were intent on promotions. For, as with security, under no other condition could continued promotion be assured.

In their second specification, profit, the Filenes real-

ized that the identity of interest between themselves and their employes was less obvious. It was in fact open to question, the question being who would receive the profit. If, as sometimes happens, the members of the firm were to get all and the employes none, patently the interests of the latter would not be served. If, on the other hand, the employes were to receive a fair share, they should be as anxious for the store to make a profit as were members of the firm.

As conceived of by the Filenes, profit was to be distributed among their employes partly, perhaps, as a matter of social justice, but more as a stimulus to and a reward for productive effort. Under the circumstances their employes should be favorably disposed toward profit as one of the aims of the business.

Their third specification, service to customers, in terms of, first, better and better values in merchandise and, second, skilled and courteous assistance, particularly from salespeople, should also appeal to employes. As consumers themselves, they would benefit by better values in merchandise. Also, as employes engaged in selling, they would enjoy the rewards which come from the exercise of skill and from a sound attitude toward their work and a correct demeanor toward those whom they served.

According to the reasoning of the Filenes, therefore, their employes in working to attain the aims of the business would be working also to promote both their own interest and that of the community at large. How consistently the idea has been put into practice by the owner-managers and how the employes have responded is one of the subjects of this inquiry.

A THREEFOLD PERSONNEL PRINCIPLE

More, however, than a statement of the identity of interest between employer and employe, as expressed by the aims of the business, would be necessary to get the employes to put forth their best efforts to attain those aims. Ways and means of demonstrating this identity of interest, of making it a living truth, had to be devised. To this challenge the Filenes very gradually responded with a threefold principle of procedure. In the phraseology of today, this was employe participation in management, in profits and, possibly, in ownership. All three aspects of this principle had evolved by 1913. The second and third were embodied in the by-laws of the new corporation formed in 1912 and in the agreements among the owners made in the following year. Organized provision, however, for the participation of employes in management had been effected as early as 1898. It was referred to at that time as "giving employes a voice in their government." Participation in profits followed. Participation in ownership was never more than a possibility. Nor was it intended that it should become effective until after Edward A. and A. Lincoln Filene ceased to be officers of the corporation.

Sharing profits has already been referred to in connection with sharing management. Sharing both management and ownership embodied the conviction that only by enlarging the scope of employes' responsibility and by endowing them with power commensurate with that responsibility could they give their best to the business. To be required to make decisions and to have to stand the consequences of them was, in the

opinion of the two Filenes, the most effective form of training.

That the system of thought envisaged in employe participation in management, profits and ownership deserves to be designated as a philosophy of industrial relations, few if any will deny. That philosophy may be described in the broad, rather than in the technical, sense of the term as co-operation. It assumes a common purpose and, through common effort, the achievement of results which cannot otherwise be attained.

In developing their ideas, as they did in the 1890's, the Filenes stood almost alone. Their business contemporaries, for the most part, were not giving such careful thought to relationship with employes.

CHAPTER II

THE STORE

FILENE'S is not, as frequently referred to, and in the accepted sense, a department store, but a departmental specialty shop. The basic difference between the two is in the variety of merchandise carried. That of a department store is almost infinite—fabrics sold by the yard, ready-to-wear apparel, house furnishings, musical instruments, foods, notions and so forth. The range of merchandise in a specialty shop, on the other hand, is much more limited. But within its limits the assortment may be very great. It is at Filene's. Here an endeavor is made to satisfy the public's every need and desire for clothing and accessories, and to some degree its requirements for what is called "personal service." This latter includes a restaurant, three barber shops, hairdressing, manicuring and shoeshining departments, in none of which tipping is permitted; a bureau through which theater and travel tickets may be purchased and other conveniences obtained; and a "clothing information bureau," the services of which are free.

Through specialization the Filenes saw the most direct route to the second of their three goals, profit. With the limited capital at their disposal, it was only through rapid turnover of merchandise, they concluded, that large profits could be made and their other two aims achieved. They chose ready-to-wear apparel as stock admitting of the most rapid turnover. By con-

centrating their attention on this field of merchandise they could, they were convinced, give better service to the public and thereby insure the permanency of their business and the maximum profit. The wisdom of this procedure early proved itself. Again a fine division of labor within this restricted field has been continuously and rigorously applied. As the store has grown, it has been the constant attempt of its owners to combine the advantages of the small specialty shop with those of the large department store.

The business consists of three major sections: (1) the main store, (2) the men's store and (3) the automatic bargain basement.[1] The main store includes the street floor and the seven floors above it in the Filene building on Washington, Summer and Hawley Streets. This structure, designed by the late Daniel H. Burnham and erected in 1912, stands as the finest example of store architecture in Boston. Of its eight floors, the first six are given over to women's and children's apparel, accessories and service departments. The seventh floor contains the executive and accounting offices and the publicity, personnel and other departments. The eighth floor is occupied by the public restaurant and the quarters of the Filene Co-operative Association. Adjoining the main store on Washington and Franklin Streets is the men's store. And occupying space below the street floors of both is the automatic bargain basement.

In 1920 a service building was erected in Cambridge. This accommodates a garage, a delivery department, a fur storage plant, a print shop, a supply department, stock rooms, a laundry for the store, a first aid room, a

[1] See p. 84.

cafeteria and the clubrooms of the Filene Co-operative Association. Also the company maintains an office in New York. This aids in the development of resources for merchandise and acts as a service station for buyers and other members of the merchandise division.

Like every other retail store, Filene's is primarily a local institution. But more and more it is extending its service throughout New England. It operates small shops in Providence, Rhode Island, Worcester, Massachusetts, and Portland, Maine, throughout the entire year; in Wellesley, Northampton and South Hadley, Massachusetts, during the college year; and in Hyannis, Magnolia aud Falmouth, Massachusetts, and York Harbor, Maine, during the summer. Also it has established agencies at several points in New England. In addition, from time to time, it holds displays and sales of merchandise at various schools and colleges for girls and at other centers in this region. Finally a mail order department aids further in extending the business beyond the confines of Boston and its environs.

In terms of sales, number of employes and amount of square feet occupied, Filene's exceeds most department stores. For the fiscal year ending January 31, 1927, it sold over $28,750,000 worth of goods, employed regularly about 3,000 workers and occupied some 300,000 square feet of selling space. These are the facts that have earned for it the reputation of being the largest single apparel store in the world.

STRUCTURE

The Stockholders. William Filene's Sons Company is organized as a corporation. At the close of our field work on January 31, 1927, the authorized capital of the

company was $5,600,000. The stock issued was of four classes: (1) first preferred, (2) second preferred, (3) non-voting common and (4) voting common. The greater portion of the preferred stock was owned by Edward A. and A. Lincoln Filene. Most of the remainder of it was held by the two vice-presidents and their families and by employes of the company. These employes included rank-and-file workers as well as executives and staff specialists and the Filene Co-operative Association itself.

Of the voting common stock, 52 per cent was originally held by the two Filenes, and by agreement between the two brothers their shares were always to be voted together. The other 48 per cent was at first divided equally among the four original vice-presidents by the so-called associates' agreement.[1] The Filenes agreed that on January 1, 1928, or earlier, if they should cease to be connected with the company, they would transfer 4 per cent of their stock pro rata to those who should then be holding the remaining 48 per cent. The owners of this 48 per cent at the time of this agreement numbered four, corresponding to the four major divisions of the store's organization.[2]

The original incorporation of the store was in 1903, but the structure as here described was established in a new incorporation in 1912. The by-laws[3] adopted at that time provided for a distribution of voting common stock between the two Filenes and the four vice-presidents who were their partners, in accordance with a

[1] For text of this agreement, see p. 508.

[2] For discussion of the administrative reasons for this fourfold organization, see p. 308.

[3] For text of these by-laws, see p. 479.

theory of identity between owners and managers. Absentee ownership was banned as perilous to the achievement of the aims of the business. Moreover, in these by-laws a way was opened for possible future sharing by employes in ownership.[1]

The Board of Directors. The by-laws of 1912 provided for a directorate of 11 members. Four were chosen by the stockholders from candidates nominated by the Filene Co-operative Association. The significance of the F. C. A. directors is treated in Chapter XIV, Representation on the Board of Directors. The other seven directors were chosen by the stockholders; in practice, the choice was always made from among those employed in the business.

An Executive Committee of six members of the directorate was provided for in the by-laws of 1912. This committee might exercise all the powers of the directorate when the latter was not in session, except in so far as the directorate as a whole might limit the powers of the committee. Its members were as a rule the owners of common stock. It was abolished in the reorganization of 1928.

[1] In the by-laws of 1912, Article V, Sec. 9 (p. 504), in making provision for the disposition of common stock which may have changed hands as between the original owners and the corporation, it is stated that such stock acquired by the corporation shall be disposed of so that "if the office of General Manager is not in existence . . . the Management shall hold 52 per cent of all the common stock outstanding and entitled to vote, and all the remaining 48 per cent shall be held by other employees of the corporation or the Filene Co-operative Association." The phrase "if the office of General Manager is not in existence" refers to a situation in which the two Filenes would have retired from the business. If they are still in the business, an earlier clause of the same sentence just quoted provides for such distribution of the common stock acquired by the corporation as shall insure that the managers other than the two Filenes shall hold 48 per cent of the voting common stock.

The Board of Directors has "general control and supervision of the business." Its chief function is the formulation of general policies and the execution of certain legal duties, such as leases and contracts.

The Management. During the period studied the common stockholders, as stated, made up the group known as the Management. A. Lincoln Filene was general manager; Edward A. Filene was assistant general manager with legal powers equal to those of the general manager; and after the withdrawal of one vice-president and the death of another, the remaining two vice-presidents were each in charge of two of the four "pyramids" or major divisions into which the work of the store has been organized. Mr. Frost was responsible for the finance and accounts and the service pyramids, and Mr. Kirstein for the merchandise and the publicity pyramids.

Responsibility for the full management of the store was vested in the general manager and the assistant general manager, whose authority, as just noted, was concurrent with that of the general manager. The general manager, however, was chairman of the meetings of the Management. Although the number of its members, exclusive of the general manager and assistant general manager, was determined by the directorate, the power to appoint and remove its members, as well as to fix their responsibility, rested with the general manager and assistant general manager.

The Management[1] has authority to act on "any matter which may be proposed by any member, provided the subject is not exclusively within the power

[1] For a number of years, the heads of the pyramids were organized into a Board of Managers. In 1915, by vote of the directorate, this board gave way to the Management, thus adding to its membership the general manager and the assistant general manager.

of the Board of Directors." Between the jurisdiction of the Management and that of the Board of Directors the line of demarcation is difficult to trace. The Management, however, has come to be the routine legislating body, passing on to the directorate only legal matters and such others as seem to demand the more general consideration which the Board, because of its wider membership, can give. Similarly, many specific subjects for investigation are turned over by the Board of Directors to the Management.

Meetings of the Management are held ordinarily once a week and often more frequently.

The Operating Committee. The personnel of the Operating Committee, created in 1918, consists of the five major assistants of the two vice-presidents. These are the merchandise manager of the main store, the merchandise manager of the basement and the publicity manager, who report to one of the vice-presidents, and the store manager and the comptroller, who report to the other vice-president.

All of the members of the Committee are also members of the directorate of the corporation. Three of them, the comptroller, the merchandise manager of the main store and the store manager, were chosen directly by the stockholders. In 1925 the store manager was elected a director to fill the unexpired term of a vice-president who died. The remaining two members of the Committee, the merchandise manager of the basement and the publicity manager, were chosen for the directorate upon nomination by the Filene Co-operative Association. Also, all of the members of the Committee owned some preferred stock in the corporation.

The purpose of the Operating Committee is twofold.

First, it functions as a clearing house for the discussion and settlement of many questions with the details of which its members are familiar and on which they are especially fitted to make tentative if not final decisions. Thus it relieves the Management of a large burden of work. Having continually grown in importance, the Operating Committee now works out much of the detailed application of store policies. It prepares for the Management's approval the budget based on the six months' plans, revises statements of business policies, initiates plans for the development and improvement of the store and supervises its operation. With the increasing tendency of the Committee to handle all the problems dealt with by the Management, the function of the latter is becoming more and more one of review for final decisions.

The decisions of the Committee go into effect unless vetoed by the Management within forty-eight hours, or unless suspended by order of any member of the Management until a Management meeting can be held.

Second, the Operating Committee provides an understudy and possible successor to the Management, both as a unit and in its individual membership. While each member of the Committee is primarily a specialist and in charge of the division he represents, through his weekly meeting with the other members of the group he is exposed to points of view differing from his own. He must consider problems as they affect the whole store. And the obligation to make decisions concerning them broadens his horizon and helps to make him, potentially at least, a general manager.

The Four Pyramids. The four pyramids into which the work of the Filene store is organized are (1) mer-

chandise, (2) publicity, (3) finance and accounts, and (4) service or "the store." At the time when this organization was put into effect, there were four vice-presidents and each was in charge of a pyramid. Later, when the number of these officers was reduced to two, each managed two pyramids.

The merchandise and publicity pyramids are concerned with the procurement and advertisement of stocks of merchandise. Merchandising is under the immediate direction of two managers, one for the main store and one for the basement. The vice-president in charge of the pyramid directly supervises the merchandising of the men's store. Responsible to the merchandise managers of the main store and basement are the merchandise division managers of these stores. To these in turn buyers, assistant buyers and merchandise clerks report.

The publicity pyramid, also under the immediate direction of a manager, is organized into several units, advertising, display, outside sales and the clothing information bureau, each in charge of an assistant.

Included in the finance and accounts pyramid are the auditing and statistical, the cash and the credit departments, the reference library and the internal mail and messenger service. The work of the pyramid is supervised by a comptroller, who is responsible to the vice-president in charge.

The service or store pyramid is made up of a particularly large number of sections. First of all are the selling departments, 111 in number. These, together with telephone operating, sales promotion, adjustment, cashier-examining, expense control, protection, personnel, shipping, receiving and marking and other

functions, head up directly or indirectly to the store manager. He in turn reports to the vice-president in charge.

STORE POLICIES

Very early the Filene Management began to define for each pyramid and its various subdivisions (1) objectives, (2) standards of performance, (3) methods of achieving them and (4) the responsibilities, powers and specific duties of the executives therein. These have been put down in written form and compiled under the title of "store policies." They are reviewed periodically, first by the Operating Committee and second by the Management, who make such changes as they deem desirable. Each executive and staff specialist is expected to know the contents of the manual of policies governing the division in which he is employed and to act accordingly. And if methods have not been devised for finding out whether he does or does not know these policies and carry them out—and they have not altogether—they must be considered one of the many tasks of the future.

Merchandise Policies. The following brief excerpts have been selected as illustrative of the policies governing the merchandise pyramid.

A. Main Store Merchandise

1. The stock of all departments shall be so maintained that we have in stock at all times the merchandise that the public wants, at the time it is wanted, within the limit of investment fixed in the six months' plans.

2. Only merchandise that is dependable in quality of materials, fastness of colors, and of high standard in fit, workmanship and finish, shall be put in stock.

3. Full lines of merchandise at three prices shall be carried

in all departments, except those departments in which line prices cannot practically be applied, in sufficient quantities and assortments to meet every reasonable requirement of our trade, and we shall endeavor to develop our business principally at these three full-line prices.

4. Although general store sales shall not be conducted, except by vote of the Management, constant alertness shall be exercised to provide merchandise of unusual value for sale in events of sufficient strength to put us ahead of competition.

5. We shall not be undersold in competition when the growth or standing of the business is endangered and competitive prices shall be met unless such action would be detrimental to the business. We shall endeavor to keep substantially ahead of competition by the steady development of distinctive lines of merchandise and by the improvement of our position and relations with sources of supply.

B. Basement Merchandise

1. The automatic bargain basement shall be operated as a separate store catering to the classes of trade more interested in the intrinsic value of merchandise than in style, service or comfortable shopping.

2. The fundamental purpose of the basement shall be to force a large volume of sales by rapid turnover of stock, at prices lower than those of any regular or unusual competition.

3. The basement shall offer for sale nothing but bargains.

4. No matter how new or desirable merchandise may be, it shall not be offered for sale in the basement unless it is at less than the regular, established price.

5. The automatic reduction plan in the basement makes a rapid turnover absolutely essential to a profitable business, and everything in the basement must contribute toward this turnover.

6. In order to obtain the quick turnover of stock, all merchandise in the basement that is not sold within 12 selling days from the date that it is put on sale shall be marked down

25 per cent. If not sold at the end of 18 selling days it shall be marked down again to one-half of the price at which it was originally marked in the basement. A third reduction of 25 per cent shall be made at the end of 24 selling days, if the merchandise has not been sold before that time; and if not sold before the end of 30 selling days it shall be given to some charity.

As it stands, the compilation of store policies is far from being a complete set of objectives, standards and specifications for operating the store. But it does represent real progress in the development of a methodology of retail store management. And any such development must be hailed as an important step toward reducing the cost of distribution. Moreover, these policies, whatever their limitations, offer the type of data basic to satisfactory selection and training of personnel.

Six Months' Plans. Of the many devices prescribed in and defined by the store policies, one of the most significant is the six months' plans, already referred to. These plans indicate what each pyramid of the store intends to accomplish within a half-year period. They are a compilation of the programs of each unit of the pyramid for that space of time.

The six months' plans of the merchandise pyramid set the pace, so to speak, for those of the other pyramids. They indicate by months the estimated cost, the retail price and the percentage of mark-up[1] on stock at the first of the period, purchases and stock at the end of the period; the estimated cost, retail and percentage of increase or decrease of sales; and the estimated amount and percentage to planned sales of mark-downs and gross profit. Data for new six months' plans are sub-

[1] The difference between the cost and the selling price.

mitted by the merchandise organization to the comptroller at least two months prior to the new period.

Supplementing the six months' plans for the selling departments, as prescribed by the store policies, are the complete stock plans. These define for each month the divisions of stock of each department, and the retail prices at which merchandise is to be provided according to price, size, color and style. As yet, however, these particular plans are more a matter of theory than of practice. Nevertheless they are commendable as representing an attempt to develop a system which shall secure for customers "the right goods at the right time and at the right price."

To prepare, in co-operation with the various executives concerned, a budget based on the six months' plans of their departments and then to supervise its operation, an Expense Control Department has been established. Among other things it issues monthly an expense tape indicating to each division executive how much he has already spent, how much he is "open to spend" and certain other data helpful in keeping expenses within the limits prescribed.

Store policies, six months' plans and the budget as supervised by the Expense Control Department—these, then, are the main instruments of advance planning devised and utilized by the Filene Management. Together with the structure of the organization and the heritage of the business as outlined here, they are dominant elements in the background against which Filene workers perform their daily tasks, and are selected and trained.

ORGANIZED RELATIONS WITH EMPLOYES

Enveloping and, at the same time, inherent in every part of the structure and operation of the store were the established relations between employer and employe. To direct them to the attainment of the goals of the business, to galvanize them into the strongest possible force to this end, the Filenes had gradually developed a threefold principle of procedure. This, it will be recalled, provided for employe participation first in the management, then in the profits and eventually in the possible ownership of the store. Practically to apply the first aspect of this principle to be put into operation required some form of organization which would include all the employes.

During the 1880's and 90's trade unionism in the United States had made little headway in retail stores. Almost all their employes were salespeople, or clerks as they were commonly called, and they were not organized. In 1897 only 2,700 members throughout the country were enrolled in the Retail Clerks' Union.[1] No evidence exists to indicate that any of the Filene employes belonged to it. Patently, then, the Retail Clerks' Union did not compel acceptance as the logical vehicle for the Filene program governing relations with employes. Eventually and gradually such a vehicle evolved in the form of the Filene Co-operative Association.

Nor has the Association ever encountered any substantial competition from organized labor. Almost immediately after its establishment, probably in 1898, the membership of the Retail Clerks' Union greatly in-

[1] Wolman, Leo, Growth of American Trade Unions, 1880–1923. National Bureau of Economic Research, Inc., New York, 1924, p. 114.

creased. From 1903 to 1908 it numbered 50,000. But in 1909 it dropped to 15,000, rose again in 1920 to 20,800 and subsequently receded in 1923 to 10,300.[1] Once or twice, it is said, attempts had been made by this union to organize the sales force at Filene's, but without success. While the Management offered no opposition to these attempts, it gave them no encouragement.

However, for any of the occupations in the store which have become strongly organized in Boston the Management has always employed union members. In October, 1926, about 2 per cent of all the Filene workers belonged to trade unions. Among them were the stationary engineers, firemen, oilers, certain mechanics in the building trades and the workers on the alteration of men's and boys' clothing. At the time this last group voted in favor of joining the union of their trade, the workers engaged in altering women's garments, mostly women themselves, voted against joining. Though the Management has no written agreements with any of the unions, in dealing with its employes who belong to them it accepts union terms and carries them out to the letter.

The policy of the Management toward trade unions in the store is indicated by a vote of the Board of Managers cast on June 20, 1913. This reads as follows: "That while we are friendly to organized labor we believe the Filene Co-operative Association to be a sufficient and satisfactory organization of employees, possessed of adequate powers for protection and enforcement of all employees' rights."

Below this record in the minutes of the meeting were found the following explanatory data:

[1] *Ibid.*

However, this does not apply to all of our employes for some of them are governed not by their individual wishes but by the wishes and rules of their labor unions. In such a case, where unions exist, the store hires union workers whenever available. Such has been found to be the best plan for the interest of the firm and the individuals concerned.

A memorandum dated February 12, 1915, from the store manager to the Employment Department forbade it, without the consent of the store manager or his assistant, to employ non-union men as elevator operators, chauffeurs, chauffeurs' helpers, porters, firemen, engineers or workers for any division of the business where union men were employed. Subsequently the local union of elevator operators, porters and watchmen, now defunct, and the local store-drivers' union conducted strikes affecting a number of stores, which they lost.

To provide, then, for an organized relationship with its employes, the Filenes initiated the Filene Co-operative Association. It was not created to forestall the development of trade unions nor to exclude union workers from employment in the store and its membership. In the absence of any such organization embracing all the employes of the store, the Association was created as the natural mechanism through which employes might participate as a group, first in its management, later in its profits and possibly, on the retirement of the Filenes as officers of the corporation, in its ownership.

LEADERSHIP IN RETAILING

The structure and policies of the business and its instruments of operation exemplify the efforts made by the Filenes to improve their methods of retailing. But

these have not been confined to their own store. The Filenes have sought to include other stores. Of this fact evidence is to be found in the Retail Research Association, an international body, the promotion, organization and continued leadership of which have been carried by A. Lincoln Filene.

Created in 1918, this Association now consists of 19 store members, each independent of the others in ownership and management. Eighteen are in the United States, each in a different city,[1] and one is in London. The purpose of the Association is to study the practical problems of retailing and to serve as a clearing house of information for its members. One of its early accomplishments was the establishment of the Associated Merchandising Corporation for co-operative buying. This organization maintains offices in Belfast, Berlin, Brussels, Chemnitz, London, New York, Paris and Vienna, and agents in Florence, St. Gall and Zürich.

Also, through both the United States Chamber of Commerce and the International Chamber of Commerce, as well as through other national and local organizations more or less directly concerned with retailing, the Filenes and their associates have striven to promote a better system of distribution. But whatever their contribution to the function of retailing in its broader aspects, it has grown out of an effort to solve the problems of their own store. Always they have been alert to perfect its methods of operation, to do everything possible to make it permanent, profitable and serviceable.

[1] The only exception is that both R. H. White Company and William Filene's Sons Company are in Boston, but these are affiliated.

CHAPTER III

THE WORKERS

JUST how well equipped were Filene workers to carry out their part of the company's philosophy of co-operation? How did their characteristics and the nature of their work affect their participation in the management of the business, particularly in determining their conditions of employment?

In order, as already indicated, to secure reliable answers to these questions, two sources of documentary data were tapped: the payroll and the individual records of employes. Also statements from employes themselves were obtained through interviews.[1]

NUMBER

For the week ending October 2, 1926, 2,956 employes, exclusive of the four owner-managers, made up the personnel of the store. There are many townships in New England and elsewhere throughout the country whose population is less. Only in a comparatively few stores is the personnel more; nor are they specialty shops but department stores. Perhaps the store most comparable in type to Filene's is Saks & Company, of Fifth Avenue, New York City. Its employes for this week are said to have numbered about 2,500.

How the size of the personnel of the store affects its relations with the company is indicated by the testimony which we quote below of an employe who entered

[1] See p. 58.

the Filene service over twenty years ago and who is now one of its chief executives:

After we passed the six or seven hundred mark, things became different. Up to that time Mr. E. A., Mr. A. L. and Mr. Cory knew practically all of us by name. They seemed to take a personal interest in us; they told us all about their plans and made us feel that we were a vital part of them. What we did counted and we wanted to do it well. But as the business grew and the number of workers increased, the spirit of the old store seemed to disappear. Necessarily members of the Management became more remote from the great majority of employes. New executives came in who never absorbed the ideas of the Filenes. Moreover, the problems of the store began to get bigger, more specialized and more technical. They seem to be getting more so every day. How to restore that old spirit in each of some 3,000 employes, I do not know. To get them to take co-operation seriously, to be interested in the management and ownership of the business, even to be interested in their own jobs, is a difficult task. One thing is certain: the more employes, the more difficult it becomes.

SEX

The personnel of the store was preponderantly feminine. As shown by Table 1, 70 per cent of the workers were women.

TABLE 1.—SEX OF EMPLOYES

Sex	Number	Per cent
Men	897	30
Women	2,059	70
Total	2,956	100

Retail stores afforded women one of their early havens of employment. To those who had no training and

wished some gainful occupation more "genteel" or otherwise more satisfactory than that offered by domestic service or the factory, selling in stores presented acceptable opportunities. As the department and large specialty stores developed, they provided employment also for a large number of women as cleaners, workers in both their public and employes' restaurants, markers and wrappers of merchandise, workers on millinery and the alteration of garments, hairdressers, manicurists, clerks, stenographers, bookkeepers and operators of office machines. Gradually more responsible employments became open to them.

Among the more unusual and better paid positions held by women at Filene's were those of division manager, head of the Training Department, head of the Expense Control Department, head of the department for altering women's apparel, head of the beauty shop, head of the Personal Service Bureau, head of the Clothing Information Bureau, head of the Comparison Department, manager of the individual outside shops, style expert, and head of the Bureau of Standards.

How many of the 2,059 women employes looked forward to a prolonged career of employment at Filene's or elsewhere, we do not know. Nor shall we hazard any guesses. Interviews, however, with women of the rank and file disclosed less interest in participation in management and in possible future ownership of the business than did interviews with women holding positions as executives or specialists. These latter employes seemed to be anxious and alert to improve their individual status in the store and to concern themselves with the larger questions of store management and industrial relations.

AGE

The impression created by Filene workers was one of freshness and youth. Clothes, however, grooming and care of appearance generally, were somewhat responsible for this impression. As a matter of fact, Table 2 shows that 30 per cent of those whose ages were recorded were under twenty-five years old; and 9 per cent, under twenty.

In accordance with the requirements specified in the store policies, no boy was employed who was less than sixteen years of age. "No female," state the policies, "shall be employed who is less than seventeen years of age, except . . . she is a high school graduate." Six girls were employed who were sixteen years of age but less than seventeen. Of these, only two met the requirement of graduation from high school. The other four were recorded as having attended high school.[1] Since records of education were not very accurate, it is possible that they may have actually been graduated from high school. At the other end of the age scale, it will be noted that only 8 per cent were fifty years of age or more, and less than 2 per cent sixty or more. It is the policy of the store to avoid engaging men over fifty and women over forty-five.

Of those, therefore, whose age might indicate immaturity of judgment, the percentage was small. This group undoubtedly needed training and supervision. On the other hand, those sixty or more, particularly if they were of the rank and file and their term of service in the store had been long,[2] raised the question of an-

[1] See Table 18, p. 455.

[2] See Table 20, p. 456.

TABLE 2.—AGE OF EMPLOYES ACCORDING TO SEX

Years of age	Men		Women		Total		Cumulative total	
	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
Less than 16	–	–	–	–	–	–	–	–
16 and less than 17	4	3	6	1	10	2	10	2
17 " " " 18	21		25		46		56	
18 " " " 20	71	8	127	6	198	7	254	9
20 " " " 25	179	20	459	23	638	22	892	31
25 " " " 30	120	13	392	19	512	17	1,404	48
30 " " " 35	128	14	308	15	436	15	1,840	63
35 " " " 40	116	13	276	14	392	13	2,232	76
40 " " " 50	134	15	328	16	462	16	2,694	82
50 " " " 60	86	10	98	5	184	6	2,878	98
60 or more	34	4	15	1	49	2	2,927[a]	100
Total	893	100	2,034	100	2,927[a]	100	–	–

[a] Of the 2,956 employes, 29 were not reported on; of these, 4 were men and 25 women.

nuities or old age pensions. As indicated later, plans for such pensions are in progress.[1]

ACADEMIC EDUCATION

The mental discipline of employes, as indicated by their academic training, was accepted as an element in their ability to participate in the management of the business. Records, however, of the academic education of employes were incomplete and lacking in precision. Table 3 shows the rank of school reached by the 2,745 employes for whom information on this item was recorded.

Many employes, however, failed to indicate whether they were graduates of the class of school they stated they had reached. According to the records a minimum of 75 per cent of those reporting had been graduated from grammar school; a minimum of 19 per cent had been graduated from high school; and at least 50, or 2 per cent, had been graduated from college or normal school.

To what degree the education of employes, as revealed by the rank of school they reached, bears on their ability to govern themselves in their work and to understand and assume responsibility in relation to the management and possible ownership of the business, it is impossible to state. The 25 per cent who were recorded as not having been graduated from grammar school may possess less mental discipline and accordingly may be less competent than their co-workers. That graduation from grammar school is a desirable attainment may be concluded from the fact that, with certain exceptions, it is a requirement for employment.

[1] See p. 224.

TABLE 3.—ACADEMIC EDUCATION OF EMPLOYES ACCORDING TO SEX

Extent of education	Men		Women		Total		Cumulative total	
	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
Grammar school without graduation	207	26	475	25	682	25	682	25
Grammar school with graduation	91	11	240	12	331	12	1,013	37
High school without graduation	308	38	908	47	1,216	44	2,229	81
High school with graduation	113	14	254	13	367	13	2,596	94
College or normal school without graduation	57	7	42	2	99	4	2,695	98
College or normal school with graduation	28	4	22	1	50	2	2,745[a]	100
Total	804	100	1,941	100	2,745	100	–	–

[a] Of the 2,956 employes, 211 were not reported on; of these, 93 were men and 118 women.

While the number of college or normal school graduates was very small, it was said to be increasing. Recognition of the value to the business of mentally trained employes is indicated by the conduct of a special course of training designed particularly, though not exclusively for them. Interviews with members of this group, over two-fifths of whom were women, revealed a desire for responsibility and an interest in and appreciation of the problems of the store other than those immediately concerned with their own jobs. The tendency of these employes, however, after having received training, was to leave the store for better positions elsewhere.

LENGTH OF SERVICE

It seems to be a common belief that employes of large retail stores, particularly the women, remain only a short time. Table 4 shows the length of service of Filene employes as of October 1, 1926.

Nearly 68 per cent had been in the service of the store two years or more; 41 per cent, five years or more; nearly 19 per cent, ten years or more. The women tended to remain longer than the men.

The adjustment of the worker to his job and a reasonable assurance of security of employment, it may perhaps be assumed, premise any very active interest on his part in the business. Just how long a period of employment is necessary to achieve this adjustment and this feeling of security, it is impossible to state. It varies with the individual, his job and the conditions of employment. If two years may be accepted as an arbitrary period, then two-thirds of the Filene personnel might feel some interest in the management of the busi-

TABLE 4.—LENGTH OF SERVICE OF EMPLOYES ACCORDING TO SEX

Length of service	Men		Women		Total		Cumulative total	
	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
Less than 6 months	123	14	237	12	360	12	360	12
6 months and less than 1 year	67	8	183	9	250	9	610	21
1 year and less than 2	118	13	227	11	345	12	955	33
2 years " " " 3	99	11	233	11	332	11	1,287	44
3 " " " " 4	85	10	165	8	250	9	1,537	53
4 " " " " 5	58	6	117	6	175	6	1,712	59
5 " " " " 10	191	21	500	24	691	23	2,403	82
10 " " " " 15	119	13	280	14	399	13	2,802	95
15 " " " " 20	16	2	73	4	89	3	2,891	98
20 years or more	21	2	44	2	65	2	2,956	100
Total	897	100	2,059	100	2,956	100	–	–

ness, at least in that part of it relating to their own conditions of employment.

Of particular concern to the Personnel Division were the newer employes, the 21 per cent who had been employed less than one year. To determine their fitness for the jobs to which they had been assigned or to others in the store, and for employes to become properly adjusted to them required considerable attention.

Among executives and specialists more than among the rank and file did security of employment seem to be a matter of concern. The more highly paid positions, it was stated, bore the greatest risk. While the statistics show that executives and specialists usually remained with the store longer than members of the rank and file,[1] this tendency does not necessarily prove that their positions were more secure. It may be that a larger percentage of the rank and file left of their own accord.

OCCUPATIONS

The nature of the work in which employes are engaged, as well as their number, sex, age, education and length of service, has an important bearing on the part they play in any scheme of industrial relations. But work at Filene's is not confined to a few standardized processes; it ranges over a wide diversity of occupations. As a basis for classification, the responsibility entailed in them seemed to us particularly significant in relation to the participation of workers in management. Table 5 presents the distribution of employes according to occupations classified on this basis.

As shown in this table, the occupations have been divided into three large groups: (1) operating, which

[1] See Table 20, p. 456.

TABLE 5.—OCCUPATION OF EMPLOYES ACCORDING TO SEX

Occupation	Men		Women		Total		Per cent of all in occupation		
	Number	Per cent	Number	Per cent	Number	Per cent	Men	Women	All
Operating									
Selling	192	21	1,049	51	1,241	42	15	85	100
Office	108	12	355	17	463	16	23	77	100
Other	389	43	485	23	874	30	45	55	100
Executive									
Major	5	1	–	–	5	[a]	100	[a]	100
Other	90	10	55	3	145	5	62	38	100
Special									
Buying	32	4	33	2	65	2	49	51	100
Assistant buying	32	4	35	2	67	2	48	52	100
Special training course	2	–	4	–	6	–	33	67	100
Other	47	5	43	2	90	3	52	48	100
Total	897	100	2,059	100	2,956	100	30	70	100

[a] Less than 1 per cent.

may be defined as those having no advisory or supervisory responsibility and filled by the rank and file; (2) executive, those which carry responsibility for the formulation of plans and methods of operation; and (3) special, those requiring a more advanced training and technique than is needed in operating positions, but which carry no authority over others.

Operating

There are three classes of operating occupations: (1) selling, (2) office and (3) other.

Selling. "Productive" is the word often used to differentiate selling from the rest of the work of the store. Its outstanding characteristic is personal contact with all sorts of human beings desiring merchandise and personal service.[1] Its steps have been analyzed as follows:

> to define the problem of the customer, present the merchandise which will solve the problem, explain to the customer how it helps to solve this, assist in the selection of the proper article, and when it has been selected, send the customer away with the conviction that the wisest possible choice has been made.[2]

Obviously the salesperson's ability to interpret individual differences in customers, to satisfy their needs and to impress them favorably is all important. Recognition of this fact has led to much emphasis on "personality" in the selection of salespeople. But exactly what qualities or abilities differentiate the good sales-

[1] Barbers, hairdressers, manicurists, waitresses and those employes in the Personal Service Bureau who sell railroad and other tickets are included in the selling organization.

[2] Charters, W. W., How to Sell at Retail. Houghton Mifflin Co., Boston and New York, 1922, p. 17.

person from the poor one, is still comparatively unknown. Much has been written on the art and science of salesmanship, but a great deal more study is necessary if our knowledge of it is to be at all adequate. And while the development of psychology is a factor in making that knowledge adequate, the establishment of standards of salesmanship and a continuous effort to evolve methods of achieving them will contribute to that end.

The standards of salesmanship and some of the qualifications required of salespeople for meeting them adopted by the Filene Management are as follows:

1. Promptness in approaching customers and helping them.
2. Alertness in determining needs of customers.
3. Intelligent presentation of merchandise.
4. Selling suitable merchandise that will give satisfaction.
5. Equal courtesies and attention to visitors and non-purchasers as to purchasers.
6. Knowledge on the part of the sales force, as far as is practicable, of materials—their qualities and best use.
7. A complete knowledge of all stock on hand.

As yet, then, selling is an occupation for which no precise technique has been established. Its chief requirements for employment at Filene's are a pleasing appearance and manner, in addition to a specified age and high school education. More and more training, however, is being given to salespeople by the store. Their need of information and skill in applying it is receiving careful attention.

On the whole, selling in a store such as Filene's may be described as light work. It demands little muscular

effort. Some of the merchandise, to be sure, particularly coats and suits for men and women, may be heavy; and trying them on customers may demand physical effort. Much standing is necessary. Seats, however, are provided so as to relieve strain and fatigue at times when salespeople are not waiting on customers. But for some people selling is exhausting. Their nervous energy is depleted by the almost constant contact with human beings, the crowds, the pressure of work at times and the difficulty of satisfying certain customers.

Another characteristic of the occupation is its cleanliness. Merchandise is new and a great deal of it is kept under cover. This makes it possible for salespeople always to look neat and well groomed. To their appearance great importance is attached not only by the Employment Office but by the group itself. If its members, it is said, are not fastidious about how they look when they enter the occupation, they usually become so.

Nor is the process of selling entirely continuous. Sales do not flow evenly during the day, week or year. In the first two hours in the morning customers are comparatively few. The last part of the week is usually busier than the first. January, February, July and August are dull months for business. On the other hand, at Christmas and Easter it is brisk. Necessarily this irregularity makes itself felt in the work of salespeople. At certain times they have little if anything to do; at others they are overtaxed.

The uneven distribution of sales has led to the regular employment of a group referred to as "short-time" workers. These include salespeople, hairdressers, manicurists and waitresses. Their hours range from 11 a.m.

to 5 p.m. In addition, a number of "specials" are engaged for particular days or periods.

Whatever the shortcomings of selling, they did not seem to be the subject of complaint. None of the salespeople whom we interviewed had grievances to offer. Practically all who commented to us on their work testified that they enjoyed it. Their relationship with the public, they said, was a source of great interest to them. They liked seeing and talking with so many different individuals. It was pleasant, stimulating and diverting. Days were long and tiresome when there were few customers. "Of course," said one salesperson, "there are times when all of us never want to see another customer, but they don't last."

Another source of interest to salespeople lay in the merchandise of the store. Much of it, they stated, applied to their own needs. Moreover, styles were continually changing and stocks were ever being replenished. Like customers, they afforded almost endless variety. Also the decoration, layout, equipment and cleanliness of the store contributed to the satisfaction of selling. Finally, the informality and sociability which surrounded it added to its attraction. Among salespeople themselves and between them and other employes of the store there is considerable social intercourse. Irregularity of sales and proximity of one salesperson to another promote it.

So important is the function of selling and so many are the salespeople that the atmosphere which it creates more or less pervades the rest of the work of the store.

Of all occupational groups, the sales force is the largest. As indicated in Table 5, its membership numbered 1,241, or 42 per cent of the 2,956 workers on the

payroll, for the week studied. Eighty-five per cent of this force were women. Some inference as to the economic status of this occupational group may be drawn from the fact that almost three-quarters of it earned less than $25 for the week studied.[1] The percentage earning $25 or more was far greater for men than for women, nearly 86 per cent as against nearly 15 per cent.

Office. The operating occupations classified as office include stenography, typewriting, bookkeeping, billing machine operating, filing and a great variety of clerical tasks. All the operating work in the finance and accounts pyramid falls in this class of occupations. So also do such positions in the store pyramid as that of floor clerk, clerk in the Bureau of Adjustment, in the stock rooms and in the receiving and marking departments. Nor do the merchandise and publicity pyramids exclude this type of work. Much of it is distributed throughout their various departments.

The degree of skill demanded by the operating occupations classed as office varies considerably. Moreover, different degrees of skill are required by different positions in the same occupation. Stenographers and bookkeepers need a very specialized training. But to fill some stenographic and bookkeeping positions demands more education or experience than to fill others. On the whole, however, most operating positions in office work probably require the same kind of abilities. Differences would seem to be mainly of degree.

So many separate occupations are included in office work that it is difficult to make any general statements about it. But like selling, its processes in the main involve no great physical effort, disorder or untidiness.

[1] See Table 23, p. 459.

While the flow of this work is necessarily conditioned by sales, on the whole it is much more regularly distributed throughout the day and week than selling. Nor did the comments of members of this group indicate that the nature of the work gave rise to grievances.

Office workers of the rank and file numbered 463, or 16 per cent of all the employes.[1] Although more than three-fourths (77 per cent) were women, this percentage was less than among salespeople. Forty-three per cent of the office operators earned less than $20 for the week studied; and 73 per cent, less than $25.[2] The percentage who earned $25 or more was 38 for men and 23 for women.

Other. Of the operating positions other than selling and those included in office work, some are highly skilled: engineering, carpentering, painting, plumbing, electrical work, printing and auto repair work. Others also requiring a good deal of skill are to be found in the departments altering men's and women's apparel. These obviously are in the needle trades. Such positions as those of chauffeur and elevator operator and similar ones may be classed as semi-skilled. Finally comes the unskilled work, that performed by stock girls and boys, porters, cleaners, workers in the kitchens of the public restaurant,[3] and other employes.

The operators employed in positions in this group numbered 874, or 30 per cent of all the workers. As with the distribution among salespeople and office workers, women also predominated in this third group of operating positions. They numbered 55 per cent of its members. Sixty-one per cent of the entire group, a

[1] See Table 5, p. 101. [2] See Table 23, p. 459.

[3] Some of these workers are employed "short hours."

smaller percentage than among office workers, earned less than $20 for the week indicated.[1]

Executive

As we have defined it, the chief characteristic of an executive position is that it entails responsibility for the work of others. For purposes of this study executive positions at Filene's have been divided into two classes: major and other.

Only the five positions held by the members of the Operating Committee have been designated as major.[2] These members, it will be recalled, all of whom are men, are the merchandise manager of the main store, the merchandise manager of the basement, the head of the Publicity Department, the store manager and the comptroller. Four of the five were forty years of age or more.[3] Two were recorded as having attended college or normal school, and one as having been graduated from high school.[4] For the remaining two members, this item of information was not recorded. Four of the five had been in the service of the company ten years or more; and the fifth, five years but less than ten.[5]

In the group classified as "other" are included all executives except the owner-managers and the members of the Operating Committee.

The Merchandise Pyramid. The only executive positions in the merchandise pyramid are those held by the division managers. They entail particularly large responsibilities. For merchandising purposes the various selling departments of the store are grouped into six

[1] See Table 23, p. 459.
[2] See Table 5, p. 101.
[3] See Table 16, p. 453.
[4] See Table 17, p. 454.
[5] See Table 20, p. 456.

divisions. At the head of each is a manager reporting respectively to the merchandise manager of the main store and of the basement. Subordinate to each of these division managers are the assistant division manager if provided, the buyers, assistant buyers and clerks of the division. Broadly, the division managers are responsible "for the operation of each of their departments, and of the group as a whole, in a way that will produce the greatest volume of business and a satisfactory profit." They are "to develop new ideas and methods; to assist the buyers in working out new style and selling points, and selling events calculated to increase sales and profits; and to maintain Filene's in the front rank in New England in the ready-to-wear field."

More specifically the division managers are responsible for (1) operating their departments on the basis of six months' plans, laid out and agreed to in advance of the six-month period in which they are operative; (2) maintaining complete stocks within the stock figures agreed to; (3) securing estimated sales; (4) maintaining mark-up and mark-down figures in accordance with the six months' plans; and (5) authorizing all orders and mark-downs in their respective departments, as long as they do not exceed the limits set in the six months' plans.

Furthermore, they are "to assist the buyers in securing resources for producing merchandise, and in keeping their departments supplied with stocks which shall conform to the merchandise policies as to style, quality, workmanship, materials, et cetera."

The Service Pyramid. There are five positions in this pyramid which involve supervision of a large number of

workers. Their occupants, all of whom report directly to the store manager, are the three service superintendents of the main store, basement and men's store, the operating superintendent and the assistant operating superintendent. Also in the service pyramid are other important positions, such as those filled by the head of the Personnel Division and the head of the Expense Control Department. These executives also report directly to the store manager; but their supervisory duties are limited, since their assistants are comparatively few. A score of other executive positions in this pyramid entail less responsibility than those already noted. Each is distinct from the others. Finally, the positions of which there are the greatest number are those of floor superintendent and section supervisor. Their occupants are the successors of the old-time floorwalker, but with magnified duties. A particular effort has been made at Filene's to raise the status of these positions.

Under the present organization the floor superintendent is responsible to the service superintendent for the best possible service to customers on the floor to which he is assigned. In the discharge of this responsibility he is assisted by a number of section supervisors. The duties of the latter include: (1) planning the expense of the section and keeping expenses within the limits authorized; (2) making requisitions for new salespeople and requesting from the floor superintendent the discharge of unqualified or superfluous employes; (3) arranging with floor superintendents for the transfer of salespeople as need arises; (4) supervising them; (5) ascertaining the public's wants on merchandise through conversations with the salespeople or with customers and passing on this information to the buyers; (6) mak-

ing adjustments with customers; (7) giving information to customers and authorizing certain transactions; (8) co-operating with the Training Department in the instruction of those under their supervision.

It is clear that the adequate discharge of the foregoing duties requires considerable executive ability, much more than is usually associated with the positions of floor superintendent and section supervisor.

The Finance and Accounts Pyramid. The positions in this pyramid carrying responsibility for the performance of others are as follows: that of the assistant comptroller, chief auditor, credit manager, head cashier, head of the Statistical Department, head of the Stock Records Department, head of the C. O. D. Department, and others.

The Publicity Pyramid. The advertising manager, the head of the Decorating Department, the head of outside sales, the head of the Clothing Information Bureau and others hold executive positions subordinate to and next in rank to the publicity manager.

Altogether there were 145 executives other than the members of the Operating Committee, constituting 5 per cent of all the employes.[1] Over one-third were women. Almost four-fifths, or 79 per cent, earned $40 or more for the week stipulated; 25, or 17 per cent, earned $100 or more.[2]

Special

Buyers, assistant buyers, members of the special training course and others make up those holding the positions classed as special.

Buying. The restriction and splitting up of the buying function is one of the most notable aspects of Filene

[1] See Table 5, p. 101.

[2] See Table 23, p. 459.

specialization. By narrowing his area of performance, each buyer, it was decided, would be able to plan his stocks much more satisfactorily and, therefore, develop merchandise resources and make selections much more effectively than under the customary scope of his position.

Commonly in a department store it was (and to some degree still is) customary for the buyer for any single department or group of departments to have charge, under the higher administrative officers, of all the affairs of that department. That is to say, he not only bought the merchandise, but he supervised the sale of it. He was responsible for the activities of an assistant buyer, the salespeople, the floorwalker and, if the department was large enough to afford their services, one or more clerical workers. Moreover, the buyer often arranged for adjustments desired by the customer on merchandise which had not given satisfaction. The general program of increasing sales by determining the public's wants was also under his direction. In addition, he had the function of keeping down the expense of the department.

The conventional buyer was a good mixer, who lived to the full the life of the trade and maintained a close personal contact with manufacturers' representatives and wholesale dealers; a person of quick instinctive judgments and of considerable personal aggressiveness.

Somewhat different is the newer and more scientific type of buyer. He determines his needs and ascertains facts concerning prices, resources and style trends by analysis of figures and other data. He picks up his information in a less individual but more exact way than the old-style buyer. His aggressiveness and push are

less developed, but he has less need of them. Armed with facts, he is not forced to rely on a bold front in order to stand up against the cajoleries and arguments of the merchants with whom he deals. Narrowing a field of endeavor does not necessitate lessening the application of intelligence. Once the method of science is substituted for the method of personal astuteness in buying, limitless possibilities for refinement of skill are opened up. The methods of the scientific buyer may be less spectacular than those of his nimble-witted, more astute colleague, but he is none the less likely to be using his mind at as high a pitch.

The scientific buyer is in process of development at Filene's. But he is by and large, as elsewhere, still a self-centered and self-confident person, proud of his individual capacity for instinctive decision, a person who likes to dominate and is restive under rules and restraints.

Each buyer at Filene's, as already stated, is responsible to a division manager. It is the buyer's function to: (1) make out six months' plans; (2) secure the planned figures on gross profit; (3) fix the selling price on the goods which he purchases (but the mark-up must have the approval of the division manager and the merchandise manager of the main store or the basement, as the case may be); (4) determine the amount of mark-down under a similar arrangement; (5) plan his advertising and window displays and co-operate with the Publicity Department in the carrying out of these plans; (6) train the assistant buyer and the merchandise clerk for their duties and supervise their performance; (7) co-operate with the Training Department in the instruction of salespeople in the selling points of the

merchandise carried in the department; (8) buy goods according to plans already described.

The buyers numbered 65, or 2 per cent of all the employes.[1] Thirty-two were men; and 33, women. Forty-one of the total 65 received $75 or more a week.[2] To some merchants $75 a week may seem a low rate of compensation for buyers. But the function of buying at Filene's is probably distributed over a much larger number of buyers than it is in other stores of its size. At Filene's, for example, there are several buyers for dresses and several for coats. In a number of other stores there is only one "cloak and suit buyer."

Over twice as many men as women buyers at Filene's earned $100 a week or over.

Assistant Buying. The assistant buyer assumes charge of the buyer's department work when the latter is absent, helps him in planning, advises him as to the state of the stock in the department, makes out orders for goods under his direction, performs other clerical duties, sees that goods are shipped to the department promptly from the receiving and marking room and that needed goods are brought to the counters from the reserve stock room.

In order to fit the assistant buyer for advancement and to increase his knowledge of the merchandise carried, the buyer is supposed to allow him to make frequent trips to New York to do buying. Many buyers show themselves reluctant to provide opportunities of this sort for their subordinates. The degree of responsibility entrusted to an assistant buyer by a buyer varies with the buyer's temperament and the assistant's caliber.

[1] See Table 5, p. 101.

[2] See Table 23, p. 459.

Sixty-seven assistant buyers were employed, or 2 per cent of all workers.[1] Thirty-two were men; and 35, women. Only 13 earned less than $30 a week for the week indicated.[2]

Special Training. This course of training for executive and special positions is briefly discussed in Chapters XXI and XXII.

Of the six employes in the course four were women; and two, men. All the women were twenty years of age but less than twenty-five; and the men; twenty-five but less than thirty.[3] Five had been graduated from college or normal school and the sixth was recorded as having attended one or the other.[4] The regular rate of compensation for those taking the course was $20 a week.[5] One member, however, who had entered the store as a salesperson at $15 a week, was recorded as receiving this lower rate. Five members of the course had been in the employ of the store less than six months; and the sixth, six months but less than one year.[6]

Other. Selecting applicants, training employes, research as carried on in the R. R. A. Department, writing advertising copy, decorating windows and the interior of the store, advising buyers and others about the style of merchandise and other functions are included in this group of special positions designated as "other." Ninety, or 3 per cent of all workers, belonged to it.[7] Forty-seven were men; and 43, women. Only 19 earned less than $30 for the week for which statistics were collected.[8]

[1] See Table 5, p. 101.
[2] See Table 23, p. 459.
[3] See Table 16, p. 453.
[4] See Table 17, p. 454.
[5] See Table 21, p. 457.
[6] See Table 20, p. 456.
[7] See Table 5, p. 101.
[8] See Table 23, p. 459.

PART II

THE FILENE CO-OPERATIVE ASSOCIATION

CHAPTER IV

STRUCTURE OF THE ASSOCIATION

THE Filene Co-operative Association, if not the original plan of employe participation in management set up in the United States, was among the earliest of such plans. Its beginnings may be traced to two sources. The first was the recognition by the Filenes of the value of the informal meetings with their employes inaugurated by their father. In these meetings workers found opportunity and were encouraged to express their ideas on all aspects of the work of the store. A spirit of intelligent and critical study of its routine was thus fostered. The second source from which the Association arose was the realization by the owners of the store of the ineffectiveness of welfare work superimposed by them upon their workers.

At a dinner of the Association in 1904, Edward A. Filene said:

> After many experiments arising from a desire on our part to do the right thing for our employes, after many experiments with lunchrooms and other types of what is called welfare work, we finally came to the point where we had to acknowledge our work had been a failure. My brother and I, in talking the matter over, and having grown wise by our defeats, were obliged to acknowledge we had not done our work in a way suitable to the environment in which we were trying to do it. It is worth while, in viewing the work from our present democratic standpoint, to acknowledge that in the beginning we had tried to do the work for our people under well-meant

but still despotically benevolent principles. But grown wiser and more democratic by our failures, we agreed to do nothing for our people, but to help them with all our minds and strength to do everything for themselves.

Precisely when the Association came into being is not a matter of record. It did not spring into life full-formed. On the contrary, it grew slowly, almost imperceptibly, out of conditions in the store. From the very informal meetings of all employes, evolved meetings of particular groups. In 1892, for example, the company gave two dinners, one to its buyers and the other to its heads of departments. These and others seem to have been repeated annually if not more frequently until about 1898, when the Association was tentatively organized. At this time the firm turned over to its employes responsibility for the welfare work it had been doing. This consisted of the management of the lunchroom, and the relief and entertainment funds. "So well did they do this work that within a few months," says Edward A. Filene, "we had acquired enough confidence to give them the right to make or change any store rule by vote. We reserved the right to veto."

PURPOSE, POWERS AND PRIVILEGE

It was in 1903, two years after William Filene had turned over to his sons the store he had established in 1881, that the first constitution of the Association was drawn up. Since then a number of changes have been made in the statement of its purpose. The most recent definition available for this study was found in a revision of the constitution made in 1922 and in a charter drawn up in the same year. The charter is a formal

agreement between the Management and the Association as to the provisions which should govern the latter and otherwise obtain between the two. But the charter is not a legal document; nor is the Filene Co-operative Association an incorporated body.

As set forth, then, in the 1922 revision of the constitution and in the charter of the Association, its purpose is: (1) "To give its members a voice in their government," (2) "to increase their efficiency," (3) "to add to their social opportunities" and (4) "to sustain a just and equitable relation between employer and employe." A fifth aim has frequently been mentioned, but it has never been included in any formal statement of purpose. This is the development of leadership for store work.

The relationship between these five concepts is not altogether easy to define. Quite clearly, they do not belong in the same category. The second, to increase the efficiency of its members, was unquestionably the basic object for which the Association was established. The first, third, fourth and fifth concepts are means to this end. Moreover, the first purpose, "to give its members a voice in their government," is a means not only of increasing their efficiency but also of adding to their social opportunities, sustaining a just and equitable relation between employer and employe and developing leadership. Means and ends, it is clear, differ mainly in the stage at which the series of acts they represent are considered.[1] "To give its members," then, "a voice in their government" may be accepted as the most immediate purpose of the Association.

The determination and execution of the various

[1] Dewey, John, Human Nature and Conduct. Henry Holt and Co., New York, 1922, p. 34.

terms and conditions under which employes are engaged and work is one of the several functions of management. To the extent, then, that the Filene Co-operative Association shares in this determination and execution, to that extent, it participates in the management of the business. If also it assists in determining policies governing other functions of management and their execution, buying goods, promoting sales, perfecting service and so on, the range of its participation is further extended.

The powers of the Association, as defined in the charter and constitution, may be classed as legislative and judicial. The legislative powers enable the Association to

initiate new store rules or modifications or cancellations of existing store rules concerning store discipline, working conditions or relations, or any other matters, except policies of the business[1]; either by a two-thirds vote of its entire membership or by a five-sixths vote of the Filene Co-operative Association Council.[2]

Such vote shall have full effect unless vetoed by the president of the company, the general manager or any member of the Management; after a period of forty-eight hours if the vote is initiated by the Filene Co-operative Association membership; after one week if initiated by the Filene Co-operative Association Council.

If so vetoed, appeal may be made to the Management as a body. Any measure may be passed over any veto by ballot vote of not less than two-thirds of the entire membership of the Filene Co-operative Association, provided that such a vote

[1] Just what is meant by "policies of the business" is not altogether clear. That this phrase has not in practice excluded policies affecting personnel, the present chapter and the following chapters demonstrate.

[2] See p. 124

has been preceded by one or more mass meetings at which the question at issue has been discussed, and provided that final vote is taken within ten days subsequent to veto.

The judicial powers of the Association are vested in an Arbitration Board.

On the application of any . . . member [of the Association] it [the Board] shall hear, determine and have final jurisdiction over grievances or disputes, including such questions as wages, discharges and working conditions, between a Filene Co-operative Association member and the Management, between two or more members in matters of store interest, as to the justice or application of a rule affecting a Filene Co-operative Association member or members, or in any case in which any member of the Filene Co-operative Association has reason to question the justice of any decision of a superior or the action of any Filene Co-operative Association officer, member or committee.

In addition to the above powers, the Association had until the reorganization of 1928 the privilege of nominating four of the 11 directors of the corporation. Also, according to provisions made in 1912, as already explained,[1] there was some hope that on the retirement of the Filenes the Association might secure part of their common stock, but that possibility has now vanished. The Association, however, does hold some preferred stock. But, irrespective of its ownership of stock, it participates in the management of the business to the extent to which it exercises its powers and privileges.

ORGANIZATION

Growth in the store has been accompanied by growth in the machinery of the Association. From a small,

[1] See p. 77.

closely knit organization, the Filene Co-operative Association has developed into a large, complex and diffuse one. At present it consists of the customary officers, a council, a large number of subordinate bodies and a staff.

Officers. A president, a vice-president and a treasurer are the officers of the Association. All are elected annually by the membership.

Few generalizations can be made about the officers. All in all they seem to represent a fair degree of leadership, intelligence and character, and in occasional instances much more. In 1913, for example, Ernest M. Hopkins, now president of Dartmouth College, but at that time employment manager at Filene's, was president of the Association. But often those best qualified for office have not been willing to serve, or more frequently they have not been sufficiently popular to be either nominated or elected. Furthermore, the feeling is growing that it is extremely difficult to fulfil both the obligations entailed in holding office in the Association and the duties of one's position in the store.

Table 6 shows the positions held by employes when they were elected officers of the Association from 1919 to 1926. Within this period all officers but five were executives or specialists.

The Council. In the early days of the Association all important matters were decided by vote of the entire membership in mass meeting. But as the store grew, the mass meeting became unwieldy and gave way to a representative council.

The Council is made up of the president, vice-president and treasurer of the Association,[1] and one repre-

[1] Formerly the Council included also the four nominees on the directorate. At its maximum the membership of the Council

TABLE 6.—STORE POSITIONS HELD BY EMPLOYES WHEN ELECTED OFFICERS OF THE FILENE CO-OPERATIVE ASSOCIATION, 1919–1926

Year	President	Vice-president	Secretary[a]	Treasurer
1919	Section supervisor, basement	Checker, receiving and marking room	Secretary to vice-president in charge of store	Senior clerk, Payment Department
1920	Division manager, basement	Floor superintendent, main store	Clerk, Supply Department	Senior clerk, Payment Department
1921	Division manager, basement	Estimator, Fur Department		Assistant auditor
1922	Section supervisor, basement	Buyer, Inexpensive Dress Department		Assistant auditor
1923	Merchandise manager, basement	Director, Planning Department		Assistant auditor
1924	Head, Decorating Department	Floor superintendent		Assistant auditor
1925	Head, elevator force	Assistant buyer		Assistant auditor
1926	Head, public restaurant; head, Retail Research Association Department and assistant to the general manager			Assistant auditor

[a] Office abolished in 1920 and duties performed by the executive secretary.

numbered 26. Since the four F. C. A. directors might be either officers or district councilors, the minimum membership was 22. Twelve constituted a quorum. As explained elsewhere, after 1928 the Association no longer nominated members on the Board of Directors.

sentative elected annually from each of the 19 districts into which the store is divided. The Council holds at least one meeting a month and frequently more. Though these are open to all members of the Association, few, if any, other than the elected representatives attend.

To be eligible for election to the Council, members must have been on the regular payroll of the company for at least one year. The term of office also is one year, beginning in July for those from the odd numbered districts and in January for those from the even numbered.

In the Council is vested final authority for administering the work of the Association. Specifically its duty is to determine general policies and programs of action, supervise the work of its subordinate organizations, confirm or revise the budget, consider questions referred to it by its members about working conditions or other pertinent problems.

Responsible to the Council are a number of subordinate organizations. Some of these existed before the Council was established; others have been created by it. Some are elective; others, appointive. Some are standing; others, temporary. Of all, the most significant perhaps is the Arbitration Board. This is often referred to as the judicial department of the Association, in contrast to the Council, which serves both as the legislative and, in co-operation with the staff and various committees of the Association, as its executive department. The work of these subordinate bodies is discussed in Chapter IX.

The Full-Time Staff. Some 50 people are employed exclusively in carrying on the work of the Association. This personnel may be divided into five sections: (1)

the executive office, (2) the restaurants, (3) the Credit Union, (4) the Benefit Society and (5) the clinic.

In the executive office are the executive secretary, who is also counselor for boys and men; a part-time assistant who edits the Echo, the weekly news sheet of the Association; the counselor for women and girls; a librarian and two stenographers. The employes of the restaurant number 37; those of the Credit Union, three; those of the Benefit Society, two part-time physicians, three nurses, one clerk and one part-time bookkeeper.[1]

The office of executive secretary is an exceedingly important one, in fact by far the most important in the Association. It corresponds in the business to that of the general manager. Unlike the elected officers and members of the Council and subordinate bodies, who serve voluntarily and to whom their duties in the Association are more or less incidental, the executive secretary is a salaried officer paid to devote his whole working time to it. According to the constitution he was to be appointed by the Management subject annually to confirmation by a majority vote of the Council. Should the confirmation be wanting, the appointment would be referred to the Board of Directors. In practice he is elected by the Council and the Management accepts the employes' choice and pays the salary.[2]

EXPENSE TO THE BUSINESS

The cost of operating the Filene Co-operative Association is borne largely by the business. It supplies

[1] The two part-time dentists and a fourth nurse employed in the clinic do not come under the jurisdiction of the Benefit Society. See p. 203.

[2] Filene, A. Lincoln, A Merchant's Horizon, p. 99.

quarters for the Association on the eighth floor of the main store in Boston and in the building in Cambridge. It also furnishes most of the equipment, together with light, heat, cleaning service and repairs; pays the wages of the staff; provides an emergency welfare fund; subscribes the cost of suppers for the Men's, Women's and Girls' Clubs preceding their regular monthly meetings; contributes 50 per cent of the employes' insurance fund; and defrays in part or in whole the expense of those activities which are not self-supporting.

For the year ending January 31, 1927, the expense to the business entailed in the operation of the Association amounted in round numbers to $81,722. This amount does not include charges for rent, light, heat and cleaning service. It does, however, include the firm's share of insurance premiums.

COST TO THE MEMBERSHIP

Not all the services of the Association, however, are available to its members without charge. Within the last four years it has succeeded in putting its restaurant in the main store on a paying basis. Its restaurant in Cambridge, which until 1926 had shown a deficit, is now self-supporting. Moreover, the individual members of the Association contribute 50 per cent of the employes' insurance fund, pay for their copies of the Echo and contribute to the support of and in several instances wholly defray the cost of some of their educational, recreational and social activities.

Since 1921 the Association has made up twice a year a budget for the ensuing semester. This is included in the regular six months' budget of the business.

RESERVE FUNDS

The Association formerly owned 26 and 22 shares, respectively, of the first and second preferred stock of the corporation. In the financial reorganization of 1928 these holdings were retired at $110 a share and repurchased in the form of new preferred stock at $100 a share, as compared with $104.50 at which it was offered to the public. In addition, the Association had a fund of $3,756, held in trust by three members appointed by its president. This amount was invested in bonds bearing 4½ and 5 per cent interest. It represented the profit made on a bazaar given in 1921 and a farce given in 1922.

THE QUESTION OF SELF-SUPPORT

Time and again throughout the annals of the Association the question of self-support recurs. It seems worth while to record here something of its history.

The Council against Taxation. In August, 1908, after considerable discussion, the Council resolved "that it is the sense of the meeting that the F. C. A. raise by taxation revenue sufficient to pay its expenses." A special committee reported two methods of raising that revenue: poll tax and income tax. This report led to a more thorough consideration of the subject of taxation than had ever taken place before. The majority of the members, it was argued, would vote against taxation. To be in accord with "the traditions of the F. C. A., it would have to be accepted by all the members." Moreover, the only way of collecting the tax was to deduct it from wages. This the Council felt it had "no right whatever to do."

In the opinion of the Council, the Association did not

benefit employes alone. It had advantages for the Management. Other up-to-date businesses financed similar activities. Therefore it was voted

that the Council, after fully considering the pros and cons of taxation, finds that it would not be in accord with the principles of the F. C. A., as its members understand them, and feels that at this time it would not be advisable or practical to carry the question of taxation further.

Value of the Association. Before a month had elapsed, the question was again opened. Another committee was appointed by the Council to confer with the Board of Managers.[1] Evidently the Board had asked for a statement of the value of the Association. In compliance, the committee reported that the Association was unquestionably of value to its members, but that this value lay in terms which defied measurement. It was less difficult to judge its value to the business. Five thousand a year was the minimum estimated. Accordingly the committee requested the Management to appropriate this sum annually for the support of the Association.

To quote from the report:

The committee has endeavored to comply with the request of the Board of Managers that it estimate the value of the F. C. A. to the members of the F. C. A. But after lengthy discussions, the committee decided unanimously that it is practically impossible to measure it in dollars and cents—as impossible as it would be to put a price upon friendship or citizenship or health. And even if it were possible, that value would vary with each individual member. That the F. C. A. is valuable is undoubted.

We found it a much easier task to set a value upon the

[1] See footnote, p. 79.

worth of the F. C. A. to the business. And after careful consideration, we feel certain that the following is true:

1. That what value the members get from the F. C. A. is in the form of education, development, contentment, confidence of justice, and so forth. And they get these benefits just in proportion to the amount of labor, time and study that they put into the Association, just as strength and development of body are the results of exercise.

2. That what value the business derives from the F. C. A. is in the form of better work, loyalty, a personal interest in the business, protection on account of a better class of employes, advertising, and so forth. And all of these things mean dollars to the business. Therefore, the business should pay dollars for them.

Later in the same report, the committee stated that

the business derives, from all this, benefits amounting . . . to at least $5,000 per year. We feel that the Management should appropriate a yearly sum of at least $5,000 for the support of the F. C. A. because the business rightfully owes it to the F. C. A. for value received.

To the Board of Managers the foregoing report was unsatisfactory. In referring it back to the committee, the vote of the Board read:

The Board of Managers is favorably disposed to the idea of an appropriation for the F. C. A. for the purpose of enabling it to get on a strictly business basis and to pay its own bills, including rent, house service, et cetera.

The Board of Managers believes that the presentation by the F. C. A. committee of the case in the memorandum dated November 18, 1908, is not comprehensive in that it presents only one side of the case. The subject, therefore, is referred back for the purpose of a fuller presentation with respect to benefits derived from the F. C. A. work by F. C. A. members, as well as benefits derived by the house. When this statement

is received the Board will take such action as it deems advisable for the good of both the F. C. A. and the house.

In accordance with the vote of the Board of Managers the previously appointed committee apparently submitted a second report on the benefits derived from the Association by its members. Of this, however, we could find no record. But in response to it the Board of Managers voted March 30, 1909:

> That the communication from the special committee appointed by the F. C. A. Council be referred to the store manager with the request that he hold an immediate consultation with this committee, consider the items of expense that the corporation has been bearing for F. C. A. work, determine with the Council how much of this should be borne by the F. C. A. and how much by the house, and agree with them on an appropriation for F. C. A. work not exceeding $5,000 a year to be paid in monthly instalments.

To this vote the general manager answered, April 8, 1909: "The fundamental in this subject is that no appropriation should be made the F. C. A. which can in any way be construed as being anything but good business and a legitimate business expenditure." Whereupon the Board replied that its vote of March 30 was taken with the principle in mind suggested by the general manager in his note. The members of the Board believed, they said, that their vote should become immediately effective, unless the general manager saw some strong objection to it. The Association, it was suggested, was anxious to get the entire question settled.

The Association was granted the $5,000. In the eighteen years which have elapsed since this vote of the

Board of Managers, the annual cost of the Association to the business has increased about 20 times the amount specified by the Board as not to be exceeded.

When, in November, 1913, the question of employing an executive secretary for the Association first arose, provision for a sustaining fund to support salaried officers was discussed by the Council. This fund was to be obtained "somewhat in the manner of a tax." It failed, however, to be established.

Again, in November, 1916, self-support was advocated. In a meeting between representatives of the Association and members of the Management, Mr. Kirstein stated: "When F. C. A. members contribute funds to the F. C. A., then we will really have industrial democracy. Until then, talk of industrial democracy is all bosh." Subsequently an editorial in the Echo, entitled, "When Are We Going to Do It?" ended with a statement that the Management and stockholders were both willing that the Association be financially independent and that only its members were holding back.

The last instance in which financial support by the membership of the Association was discussed occurred in May, 1925. A recommendation had been made to the effect that dues of 25 cents should be collected quarterly from each of its members. Finally it was embodied in a proposed amendment to the constitution. But "the details of the plan for putting the amendment into effect had not been sufficiently worked out," the Council decided, "to justify a referendum at the present time on such an important proposal." The original committee appointed to study this matter was enlarged and continued.

In the course of interviews several of those holding

office in the Association expressed the opinion that it should have a contingent fund of its own to use as it pleased. Frequently, they stated, projects were suggested which a number of members wished to carry out but which had little if any direct relation to the business. A summer camp was cited as an example. Application to the Management for support, it was said, sometimes was denied. If the members of the Association paid a membership fee, money would be available to finance such projects. But to the proposition that the Association should be completely self-supporting, very few of its members, it was believed, would subscribe.

STATUS OF MEMBERS BELONGING TO TRADE UNIONS

As late at least as the summer of 1919 Filene employes who belonged to trade unions enjoyed all the privileges of membership in the Association. Record of this fact was found in memoranda of a special committee appointed by the store manager. It was the function of this committee to co-operate in drafting a statement to be embodied in the store policies concerning the basis of wage payment in the unionized divisions of the business. One of these memoranda states:

> At present our policy almost puts a premium upon union affiliations. Our union workers, although they are few, now enjoy special hours and special payment considerations. They nevertheless receive all the regular store privileges, such as bonus, store discount, vacations and so forth. In other words, they enjoy both union privileges and F. C. A. privileges, whereas those who are not members of unions enjoy only F. C. A. privileges.

Forty-four hours constituted a week's work for the union employes of the busheling department, which is

engaged in altering men's and boys' clothing. Their weekly time schedule was some four hours shorter than that in the rest of the store. For remaining at work these four hours the employes in this department received compensation at rates for overtime.

In concluding its report the committee stated:

> We feel that the store in making a bargain with a particular group of workers is directly affecting the profits and bonus rights of the other employes and that the body of employes as a whole should have voice in passing upon claims presented by particular groups. This is the kernel back of our recommendation of a personnel council or committee to pass upon questions of compensation, hours or conditions of labor affecting groups or departments.

No evidence exists to indicate that the recommendation for the establishment of a Personnel Committee was accepted. Subsequently, however, union members, with few exceptions,[1] were denied certain privileges accorded members of the Association: participation in the annual bonus, winter vacations and payment during July and August for Saturdays, which are holidays in these two months.

A few weeks later, action to regain these privileges was taken by the union employes of the busheling department. On October 4, 1923, the member of the Council of the Association representing the busheling department presented verbally a request from those of its members who belonged to the union that they be given full membership in the Association. They wished to resign from the union. Feeling that this question was one which required the attention of the Management,

[1] Employes who had been in the service of the store a long period.

the Council voted to request it to appoint a committee to study the question and make some recommendation. One member of the committee, it was suggested, should be appointed by and represent the Council.

In reply to this vote the general manager, on October 10, 1923, wrote the Council as follows: "The Management is not in accord with the vote of the Council. It must be clearly borne in mind that this corporation has no intention of taking action at any time to influence any employe to resign from the union."

At a meeting on October 18, the Council voiced the opinion that, though the danger of interference with union matters was recognized, the problem in the busheling department had been referred to the Management for that very reason. The employes of that department on their own initiative had made a request to the Council and under the circumstances were entitled at least to a fair discussion of their problem. It was then voted:

> That the F. C. A. Council believes that this matter should be dealt with by the Management rather than the F. C. A., and further that the Management should discuss with a representative of the busheling department its request, in an effort to reach an understanding with its members.

A bulletin of the same date from the Management to the Council stated: "The Management will be very glad to discuss this question at any time at a joint conference of the accredited union representative and our busheling department employes."

At a Council meeting held January 3, 1924, the representative from the section of the store which included the busheling department pointed out that nothing had been heard about the proposed joint conference. It was

therefore voted that the Management be asked to notify the Council when it would be possible for it to meet with the members of the busheling department.

Eventually the meeting was held. Those present were the business agent of the union, three members of the busheling department, the general manager, the vice-president in charge of the store, the store manager and the executive under whose jurisdiction the busheling department came. Feeling that they could maintain their union scale of wages and at the same time secure all the privileges of the Filene Co-operative Association if they became members of it and renounced the union, the members of the busheling department had ceased paying their dues. They had informed the business agent of their union that they wished to leave it and become full-fledged members of the Association. He came to the meeting with this knowledge and convinced, it is said, that he was representing a losing cause. But to his amazement and delight, the attitude and decision of the Management turned his anticipated defeat into a victory.

After the representatives of the department had concluded the presentation of their case, the vice-president in charge of the store spoke for the Management. If it was to accept the union employes of the busheling department as members of the Filene Co-operative Association, it would accept them only when they could come with "clean hands." They had not been good union members; they had let their dues lapse six or eight months. There was no guarantee that they would be any better members of the Filene Co-operative Association than they had been of the union. He strongly advised them to return to the union. They did.

Employes, then, who belong to trade unions are also members of the Filene Co-operative Association. But, with few exceptions, after 1919 they were denied participation in the annual bonus, winter vacations and payment for Saturday holidays during July and August. After 1927, they were again given both the status and the privileges of F. C. A. members.

CHAPTER V

HOURS OF WORK AND VACATIONS

FOR over twenty-five years the Filene Co-operative Association, subject to veto by the Management but with provision for appeal over this veto, has had power to initiate, amend or modify store rules "concerning discipline, working conditions or relations or any other matter except policies of the business." In this power resides large opportunity for participation in management by the Association. How it has taken advantage of this opportunity, in relation to what problems, with what frequency and what results, it is the purpose of this and the following chapters to discuss. Not that a complete history of the Association's legislative, executive and judicial acts is to be presented —only the more significant.

HOURS OF WORK

One of the most vital subjects on which the Association has exercised its power is hours of work. When it was established, in 1898 or thereabout, the business hours of department stores and other comparable establishments in Boston numbered about fifty-eight a week. At present they are less than forty-eight. Employes engaged for full time are required for the most part to be at work at 8:50 a.m. They work until 5:30 p.m., with an hour for lunch. From June 15 to September 15 the store closes at 5 p.m. and all day Saturday during July and August. For certain groups of workers, those,

for example, employed on the night force and a special group of salespeople, the schedule differs, but for the great majority of employes the number of hours is identical.

Somewhat frequently during its early years, particularly during 1902, the Association concerned itself with the schedule of hours during which the store was open to the public. The first instance occurred in June of that year, when its members, assembled in mass meeting, voted to close the store on Saturday, July 5, thus giving them a vacation of three days. Nor was this vote vetoed by the firm, in spite of the fact that no other store in Boston followed its suggestion that they also close on this date.

In appreciation of the firm's withholding its veto, the Filene Co-operative Association voted to thank it. But on the initiative of one of the Filenes who was present at the meeting, the motion was amended to read "thanks for the system which made the vote possible."

In December of the same year the Association voted against keeping the store open evenings preceding Christmas as had been customary in previous years. Six-thirty, however, instead of five-thirty, was adopted by the Association as the closing hour for the four days before Christmas.

Also in 1902, a motion was made at a meeting of the Association by Edward A. Filene for the abolition of overtime. Overtime was defined as hours of work before 8:50 a.m. and after 5:30 p.m. This motion was debated at three meetings and finally referred to a joint committee of buyers, assistant buyers and floor superintendents. Overtime, the committee reported, was due chiefly to taking mark-downs, dressing forms and pre-

paring for sales. Finally it was voted to drop the question but to request executives to do everything possible to eliminate work before and after the regular schedule of hours.

The following year, 1903, the Association voted that the summer schedule of closing hours in operation the previous year be extended two weeks. More specifically, it voted to close the store Saturdays at 1 p.m. and other days at 5 p.m. from June 15 to October 1. Subsequently 40 members petitioned for a reconsideration of this vote. At the meeting called for this purpose, it was decided hereafter to end the summer schedule on September 15.

Again in 1904, the Association tried to secure for itself an extra holiday. June 17, Bunker Hill Day, is observed as a holiday in Boston and certain suburbs. It fell in this particular year on a Friday. By vote of the Association the store was closed Saturday, June 18.

It was not until four years later that the Association again took any action in relation to hours of work. In December, 1908, a mass meeting was held to discuss closing the store on the day following Christmas. At that time there were 631 members of the Association. A petition signed by 32 of them was presented. Not quite enough were in attendance to secure the required two-thirds vote necessary to adopt the petition. At the meeting Edward A. Filene called attention to the need of the Association for serving the public, but at the same time, he said, he did not want to minimize the advisability of taking steps to establish better working conditions. Subsequently the Association voted to close the store, thus giving its members Friday, which was Christmas, Saturday and Sunday as holidays.

Almost four more years elapsed before the Association took any other vote on hours of work. In 1912 a suggestion was made that the store close at 12 m. instead of at 1 p.m. on Saturday during July and August. The Council sent a bulletin to the various executives of the store, asking them what they thought of this suggestion. The executives were against it; the Council also voted against it. As an outcome of the discussion it was learned that many employes had to work in the store after one o'clock. The Council therefore sent a bulletin to executives, urging them to make every possible effort to organize their departments so as to abolish overtime.

A year later, in 1913, the store closed all day Saturday during July and August. This action followed the failure of the Retail Trade Board of the Boston Chamber of Commerce to adopt a measure to this effect, introduced by A. Lincoln Filene. Subsequently the Board followed the Filene example. There is, however, nothing to show that the Filene Co-operative Association was responsible for this shortening of hours.

Much more recently, in the spring of 1926, a committee was appointed by the Council to consider the question of closing the store at 5 p.m. instead of at 5:30 p.m. throughout the year. The Committee reported that loss of a half hour to the store might be compensated for by increased efficiency on the part of employes, and that customers could easily be induced to shop before five. Accordingly, the Council voted to ask the store's representative on the Retail Trade Board, Mr. Kirstein, to discuss the matter with the Board and to report back to the Council the result of this discussion. In the meantime the store manager undertook a study

of the amount and type of sales made during that half hour. As yet, however, no action has resulted. Nor did the executive secretary of the Retail Trade Board, who was interviewed on the subject, think any favorable action would result, at least in the near future.

The only occasion on which the Association has indicated its desire to work *more* than the required schedule of hours happened during war time, in 1918, when various businesses throughout the country were closed on Mondays because of the shortage of coal. At this time the Association voted to suggest to the Management its willingness to make up for the lost time for which its members were being paid. In reply, the Management stated that it was very much gratified at the action taken by the Association, but that it had decided not to avail itself of the offer.

Patently the Filene Co-operative Association has not been altogether passive on the subject of hours of work. It has taken some initiative and with definite gains to itself. But the more significant reduction in hours of work at Filene's has not been due, at least directly, to the efforts of the Association. The Filene Management itself was responsible for initiating the closing of the store all day Saturday during July and August. To the extent, then, that the Management, either independently or through the Retail Trade Board of the Boston Chamber of Commerce, has anticipated action by the Filene Co-operative Association, to that extent may it have deprived the Association of opportunity for initiative.

Bearing directly on the future action of the Association in relation to hours of work is the work of the Retail Trade Board. More and more are Boston retailers

through this Board coming to see retailing, particularly in their own market, as one large task rather than a series of independent problems represented by individual establishments. Indeed, it is the function of the Board to emphasize the common rather than the competitive elements in the businesses of its members, likenesses rather than differences. Accordingly, members of the Board have come to agree on various policies and practices relating to manufacturers, wholesalers, employes, consumers and other groups. One of these policies has to do with the hours of opening and closing their stores and consequently with hours of work for employes.

Certain changes in the schedule of store hours which have occurred since 1914 have resulted as a proposal of the Board. Nor is this tendency on the part of retailers to develop certain minimum standards of practice entirely local. It is in some measure national. This movement, it seems to us, must necessarily limit the scope of the Filene Co-operative Association or any similar organization of employes confined to any one store.

WINTER VACATIONS

Another subject with which the Association has concerned itself, if not part of the general one of hours of work, is that of winter vacations. Summer vacations apparently were initiated by the Management and not by the Association. For a number of years all regular employes who, on July 1 of any year, have completed a full year of service have received two weeks' vacation in the summer with pay. A recent ruling provides that all regular employes who, on July 1, have been employed for less than one year receive a vacation with pay of one day for every month in the employ of the company.

In 1912 a special committee of the Association was appointed to consider the advisability of giving employes a week's vacation in the winter with pay. The committee reported favorably to the Council on this proposition, but the latter requested information on the cost of carrying it out. Although the same question arose a number of times, no final action was taken until 1924. In that year, on the initiative of the Association, a plan was adopted by the Management, providing winter vacations with pay for all workers in its employ five years and over, extending from one week to two (or twelve working days) for those whose length of service was ten years and over.

Subsequently this plan was modified so as to entitle all regular employes to one day's vacation in the winter with pay for each full year of employment prior to January 1 up to a maximum of two full weeks. The modification was suggested by the personnel superintendent and adopted by the Council. However, when, in November, 1926, the revision came to be put into effect, employes with ten years' service discovered that they would get two days less than those who had served a similar period had received in 1925. They therefore petitioned the Council for the grant of these two days. The Council voted in favor of the petition, but the Operating Committee and Management vetoed it.

In securing winter vacations with pay for its members, the Filene Co-operative Association has more or less blazed a trail in gaining greater leisure for the employes of large retail stores. The strain of Christmas time on the workers and the dull season in the business which follows Christmas make winter vacations altogether desirable and feasible.

CHAPTER VI

WAGES

ON THE problem of wages the record of the Filene Co-operative Association is almost blank. No evidence was found to indicate that the membership at large or the Council ever took any initiative in relation to this question. The Council, however, has ratified minimum rates presented by the Management, and a Special Arbitration Board[1] and the executive secretary of the Association, in co-operation with the personnel superintendent, have dealt with grievances of certain occupational groups over compensation.

The more remarkable is this record in view of the low wages long attributed to retail stores. In 1911, candy factories, retail stores and laundries were selected for investigation by the Commission on Minimum Wage Boards of Massachusetts as "the lowest paid industries in the state employing numbers of women." According to the Commission's report, of the 3,328 women and girls employed in retail stores who reported their earnings, 12 per cent averaged less than $4.00 a week; 39 per cent, less than $6.00; and only 34 per cent, $8.00 or more.[2]

During the number of years which have elapsed since the investigation of the Massachusetts commission,

[1] See pp. 155, 463.

[2] Commonwealth of Massachusetts, Report of the Commission on Minimum Wage Boards. Wright and Potter Printing Co., Boston, 1912, pp. 113–114.

earnings of retail store employes have perceptibly increased. Some indication of the extent is afforded by the earnings of Filene employes for the week ending October 2, 1926. These are presented in Table 7.[1]

TABLE 7.—EARNINGS OF EMPLOYES IN ONE WEEK ACCORDING TO SEX

Earnings	Men		Women		Total	
	Number	Per cent	Number	Per cent	Number	Per cent
None	22	2	105	5	127	4
Less than $10	14	2	47	2	61	2
$10 and less than $15	49	5	322	16	371	13
15 " " " 20	118	13	645	31	763	26
20 " " " 25	108	12	498	24	606	21
25 " " " 30	112	13	196	9	308	10
30 " " " 40	179	20	115	6	294	10
40 " " " 50	102	11	59	3	161	5
50 " " " 75	113	13	43	2	156	5
75 " " " 100	36	4	17	1	53	2
100 or more	44	5	12	1	56	2
Total	897	100	2,059	100	2,956	100

As shown in this table, the earnings represent the actual amounts received by employes for this particular week. The amount of absence was relatively small, 9 per cent of the men and 16 per cent of the women being absent part or all the week.[2] As a rule, for all employes except those whose rate is $75 a week or more, deductions are made for absences.

The most common wage both for men and women was $15 and less than $20; but while more than half of the women earned less than $20, the corresponding proportion for men was less than one-fourth.

Nineteen per cent of the employes earned less than

[1] See also Table 23, p. 459.

[2] See Table 24, p. 460.

$15. But all those receiving no earnings were absent all the week. Moreover, a number of those earning less than $15 were paid benefits by the F. C. A. Benefit Society.[1] Of the 61 employes who earned less than $10, and the 371 who earned $10 and less than $15, a number were absent all or part of the week and a number were employed short hours.[2] A larger percentage of women (23) than of men (9) earned less than $15.

Over half the employes (57 per cent) earned at least $15 but less than $30. Nine per cent earned $50 or more, the percentage of men (22) greatly exceeding that of women (4).

Instrumental, undoubtedly, in bringing about the increase in earnings of employes of retail stores since 1911 were the state minimum wage law, effective July 1, 1913, and the industrial conditions attendant upon the World War. The Filene Co-operative Association apparently had little if anything to do with the increase. The Filene Management, on the other hand, was not oblivious of the trend. Nor was it halting in its action.

MINIMUM RATES

On March 1, 1912, prior to similar action by any other retail store in Boston but subsequent to the publication in January of the report of the State Commission on Minimum Wage Boards, the Filene Management adopted a minimum wage rate below which no employe should be paid. This rate was $8.00 a week. Presumably the Filene Co-operative Association was consulted about this rate, but the only record found on the subject was a vote of thanks by the Council to the Management. Subsequently, when the Management

[1] See pp. 200–208.

[2] See footnote 3, p. 107.

declined the invitation of the State Minimum Wage Commission to be represented on its Retail Store Wage Board, the Commission asked that the Filene employes be represented by a young woman, Margaret Fitzgerald, who had been exceedingly active in the Filene Co-operative Association and who had risen from the position of clerk to that of buyer. The request was referred to the Council and granted by it. In reporting back to the Association on the work of the Retail Wage Board, this young woman stated: "It was a great source of satisfaction to me that I was never obliged to defend my store or excuse its action on the wage question." The minimum rate in operation at Filene's at that time was higher than that recommended by the Board.

In September, 1919, the Management revised its minimum scale upward and incorporated other changes in a preliminary draft of a new wage plan. Among other changes,[1] this provided for the following:

(1) An aggregate increase of $500,000 in wages over the amount paid the previous year. This figure had been arrived at by adding to the regular semi-annual increase of over $250,000 the aggregate of the commissions and bonuses for the past year.

(2) The establishment of a new minimum wage scale, which stipulated that no experienced employe who had been on the payroll twelve months should receive less than $15 a week.

(3) The inauguration of a new commission plan for salespeople throughout the store, providing for the allotment of a selling expense to each department, the establishment of a six months' quota of sales to the various weekly wage rates

[1] See p. 177.

and the payment at the end of each six months' period of commissions based on the excess of each salesperson's sales over and above the quota established.

This plan was referred to the Council "for consideration and suggestions." Apparently the Council approved it without any amendments. Subsequently, however, the salespeople voted by a large majority against the third provision and in favor of a basic wage plus a commission on all sales, payable weekly instead of at the end of each six months. This vote was put into effect and is now operative for all selling departments except those dealing in men's and boys' clothing.

Subsequently, and apparently with the confirmation of the Council, the Management modified its minimum scale to accord with the decree for retail stores effective June 1, 1922, announced by the Division of Minimum Wage of the State Department of Labor and Industries. The present minimum rates, then, excluding commissions, bonuses or other forms of extra remuneration for full-time employes, are as follows:

For employes less than eighteen years of age, $10; for those eighteen but under nineteen years of age, $12; and for those nineteen years of age and over, $14. The $14 minimum wage applies only to employes who are experienced. An employe is considered "experienced" who has been employed in a particular occupation for one year after reaching the age of eighteen years.

For four hours of employment a day, it is the policy of the store to pay approximately one dollar a week more than half the standard wage for the position, but in no case less than $6.00 a week; and for six hours of employment a day, approximately one dollar more than three-fourths of the standard wage for the position, but

in no case less than $8.00. For three hours of employment $5.00 is the minimum rate per week; for four hours, $6.00; for five hours, $7.00; and for six hours, $8.00.

Table 8 shows the wage rates paid Filene employes for the week ending October 2, 1926. It shows that the prescribed minimums are not the rates actually received. They are merely the standard below which no employe shall be paid.

TABLE 8.—WEEKLY WAGE RATES OF EMPLOYES ACCORDING TO SEX

Weekly wage rates	Men		Women		Total	
	Number	Per cent	Number	Per cent	Number	Per cent
Less than $10	11[a]	1	62[a]	3	73	2
$10 and less than 15	44	5	321	16	365	12
15 " " " 20	141	16	955	46	1,096	37
20 " " " 25	163	18	372	18	535	18
25 " " " 30	119	13	138	7	257	9
30 " " " 40	220	24	84	4	304	10
40 " " " 50	62	7	56	3	118	4
50 " " " 75	61	7	42	2	103	3
75 " " " 100	32	4	17	1	49	2
100 or more	44	5	12	–	56	2
Total	897	100	2,059	100	2,956	100

[a] All employed short hours.

Of the 73 workers who received a rate of less than $10 a week, all were employed short hours. Also a number of those whose rate was $10 and less than $15 worked part time. Altogether 11 per cent received a rate of less than $14 a week, that stipulated by the state as the minimum for experienced employes in the millinery trade.[1]

[1] See Table 22, p. 458.

Additional wage standards are provided for in three grades established for each occupation not filled by an executive or specialist. These grades are designated in a descending scale as "A," "B" and "C." Promotion from one grade to another is effected for the most part through a rating system. Every new employe is rated thirty days after beginning employment, and such adjustments in wage rates as are advisable are then made.[1] Semi-annually for two years and annually thereafter, wage rates are considered. This procedure is automatically provided for by the semi-annual rating and "salary review."[2]

"All wage changes," according to the policies, "shall be approved by the personnel superintendent and, in addition, wage changes of executives must have final approval by the vice-president in charge of the store."

METHODS OF PAYMENT

Before further discussion, it seems pertinent here to indicate the methods of wage payment in operation at Filene's.

Almost all salespeople are employed at a weekly wage rate. In addition to this, they are allowed a commission on their total net sales. The percentage varies with different departments. In all selling departments in which commission is paid in addition to a basic wage, it ranges at present from ½ of 1 per cent to 1¼ per cent. It is planned, however, eventually to make the rate of ½ of 1 per cent apply to all these departments. The adoption of this uniform percentage will necessitate some adjustment in basic wage rates.

A basic weekly wage plus commission on total sales

[1] See p. 470.

[2] See pp. 471–473.

was in 1926 the method of compensating salespeople in operation in seven out of 14 stores in the Retail Research Association. Of the remaining seven, five were operating on a basic weekly wage plus a commission over a quota of sales, and two on a straight weekly wage. Since in 1920 six of the 14 stores were paying their salespeople a straight weekly wage with no commission, the tendency among them may be said to be in favor of the weekly wage plus commission on all sales.

In the men's clothing department at Filene's, however, compensation is entirely on a commission basis. Five per cent in the main store and 4½ per cent in the basement on total net sales is the rate paid, with a weekly drawing account. All departments in the automatic basement pay a lower rate of commission than those in the main and men's stores because there the system to induce a rapid turnover of goods results in a larger volume of sales.

Employes of the restaurant, the barber shops, the beauty shop and the shoe-shining department receive varying commission rates.

No employe who is paid a commission receives an annual bonus. The commission which they earn is considered by the Management an equivalent. With the Management's opinion on this point, however, there is not unanimous agreement either among salespeople or executives. One of the members of the Operating Committee stated that, though no formal vote had been taken on the question, a majority of the Committee looked upon commissions as a part of the market wage of salespeople and not as a bonus. When salespeople are employed they are engaged at a certain number of dollars a week plus a certain percentage of their sales.

Practically all competing stores pay their salespeople a comparable commission on sales. While it is true that amounts earned as commission could be interpreted literally as an extra reward for extra effort, the bonus, at least as applied to the rank and file at Filene's, has not been accepted as part of the wage agreement between employer and employe. Moreover, as defined by the personnel executives of the stores in the Retail Research Association, "bonus is an extra amount, over and above salary and commission, paid as a reward for special or extraordinary effort or service."

Comparatively recently one of the two committees of the sales force, made up of the elected representatives from various selling departments in the main store and the basement, agitated, it was stated, for the participation of salespeople in the annual bonus. Three members of the firm appeared before the committee and argued that commissions were the equivalent of a bonus. Thereupon the committee subsided and no further action has been initiated on the subject.

For operators in the non-selling departments, a flat weekly wage is the prevailing method of payment. During the last several years, in addition they have received an annual bonus.

In the credit department those who operate billing machines are paid according to the number of items posted. The rate was based on past records. Three hundred postings was considered a fair day's work. At one cent a posting a fair operator could earn $3.00 a day, or $18 a week. This was judged to be a living wage, so the rate was adopted. Earnings of operators increased rapidly. Accordingly the machines, which are very costly, are being used more nearly up to their maximum

capacity and have made unnecessary the purchase of additional equipment.

Piece rates are the rule in the departments altering women's garments and men's and boys' clothing.

Executives and specialists are paid a flat salary. In addition they receive an annual bonus.

GRIEVANCES OF GROUPS

Although neither the membership at large nor the Council of the Filene Co-operative Association has ever *initiated* any action in relation to rates or methods of compensation, as already indicated,[1] groups of employes engaged in the same occupation have done so.

The Salesforce Committee of the main store was the medium through which one of these departments voiced a grievance as to its rate of commission. In 1923, the representative of the "expensive dress department" expressed the desire of her constituents to have their rate of commission increased from ½ of 1 per cent to ¾ of 1 per cent. However sound the arguments for the increase may have been, the Salesforce Committee did not deem it feasible to make a recommendation to this effect to the Management. The question, the committee decided, was one which could well apply to other departments. But it did suggest that some member of the "expensive dress department" request that its case be arbitrated. The suggestion was accepted.

A Special Arbitration Board of three members, rather than the regularly elected one, was requested by the department. It chose as its representative on the Board the head of the Planning Department. The store manager was designated to represent the Management.

[1] See p. 146.

These two members selected as the third and chairman, the store auditor.

After hearing all the evidence the board voted that:

(1) The appeal be denied.

(2) The weekly wage rates be revised upward according to an accompanying schedule.

(3) Seven specified salespeople employed in the department be awarded an increase in wages of $1.00 a week, and one salesperson an increase of $2.00 a week.

(4) The Management allow the Board to make a further study of the selling commissions in the store and report its findings to the Operating Committee and the Management.

No further study of rates of commission was made by the Board. Apparently the Management considered this a responsibility of the Personnel Division. The other recommendations, however, were put into effect and with satisfaction to the department making the appeal.

Records of other complaints against methods or rates of compensation by other groups of employes, and of attempts to remedy them, are lacking. It is stated, however, that such complaints have been made and that the groups affected have dealt directly with the personnel superintendent, the store manager or the vice-president in charge of the store. Rates of compensation for employes belonging to trade unions have been adjusted, usually in a joint conference between representatives of the Management and the union concerned.

Late in 1926 a representative of the night porters complained to the executive secretary of the Filene Co-operative Association that they were receiving less than similar workers in at least one competing store.

The executive secretary testified at a committee meeting of the Association, at which one of the investigators was present, that forthwith he had consulted the personnel superintendent and that a satisfactory adjustment with the night porters had been made almost at once. Questioned as to why he had not referred the complaint to the Council, the executive secretary stated that he had considered it more expedient to do what he had done. Some of those present agreed that he had acted wisely; others, that he should have called a meeting of the Council; others, that his responsibilities and duties needed to be defined.

FUNCTION OF THE FILENE CO-OPERATIVE ASSOCIATION IN RELATION TO WAGES

The procedure of the executive secretary raises questions as to the function of the Filene Co-operative Association in relation to wages. Unquestionably its powers enable it to take action upon this very vital condition of employment. But it has conspicuously lacked initiative in this connection. Nor has the Management attempted to stimulate it or to design a form of organization which would facilitate it. Under the circumstances it would seem as if active participation by the Association in matters of compensation was not one of the purposes for which it was established.

It is true that the Management has referred to the Council for consideration certain general wage propositions, such as the establishment of minimum rates and the plan announced in September, 1919.[1] But it has made no organized effort for the participation of the Association in the determination of the various rates in

[1] See pp. 149–150.

operation throughout its history. Broadly speaking, it seems to have considered this a function belonging more or less exclusively to its own representatives. According to the store policies the study of wage standards for those occupations which admit of the employment of several persons and supervision of their maintenance is a duty of the Employment Department. And in practice, final decision as to standards rests with the vice-president in charge of the store. In special instances, however, when these involve large groups of workers or drastic changes, they may be referred to the Operating Committee and the Management. Under the circumstances, in almost all their grievances over rates or other problems of compensation, employes have dealt directly with the personnel superintendent or some other representative of the Management. Only very rarely has appeal been made to the Council, the Arbitration Board or the executive secretary of the Filene Co-operative Association.

Nor does the form of organization of the Association easily lend itself to participation in the determination of methods and rates of compensation. The occupation is the basis for this determination. Most concerned with it, therefore, are the occupational groups directly affected. And no provision for their representation is made in the Association. The Council is organized on a geographic basis. The store, it will be recalled, is divided into 19 districts. By no means are all the districts made up entirely of workers in one occupation. This form of organization may be effective for initiating measures and otherwise dealing with problems common to the entire membership. But it would not seem to be very well adapted for the exercise of initiative in

relation to wages and other matters which concern particular groups of workers.

GENERAL WAGE POLICY

Also to be considered as a factor in the Association's lack of greater initiative in matters of wages is its possible satisfaction with the wage policy of the Management. Just what is this policy? And how does it work?

At Filene's wages amount to about 60 per cent of the operating expense of the business. While the Management has always aimed to reduce this expense, it has never believed, it states, that it could effectively do so by maintaining a low scale of wages. On the contrary, it has been its policy to pay more than the market rates. Adequately paid employes, it has always believed, are economical. They make for more efficient operation.

WAGE RATES COMPARED

How the rates of wages received by Filene employes compare with those of workers in competing stores in Boston, it is impossible to state with anything like precision. In so far as we could determine, exact data for this purpose were not available. But some light is thrown on the problem as it affects women employes by statistics obtained from the Division of Minimum Wage of the Department of Labor and Industries of Massachusetts. These statistics were gathered in the course of the Division's inspection of payroll records made from March to November, 1924, in four types of retail establishments distributed throughout the state. Department, specialty, chain and grocery stores represent the four types. In each instance the transcript of the payroll was for the week prior to the visit of inspection.

Several factors must be taken into consideration in using the data of the Division of Minimum Wage. First, the stores included in any one of its four classes of establishments vary in size and to some degree in type. For example, a specialty store may carry only gloves, or it may carry several kinds of apparel. Second, the establishments were not all located in Boston, but distributed throughout the state. Third, the data from the various stores were not collected for the same week. Moreover the statistics covered a period two years earlier than our study of wages in the Filene store.

Of the four types of establishments presented in Table 9, the specialty stores are probably more comparable with Filene's than the other three types.

Seventy-three per cent of the 1,381 women employed in these specialty stores received a rate of $14 or more, as compared with 86 per cent of the women employed at Filene's and 45 per cent of the workers in all four types of establishments. In short, the percentage of women workers at Filene's receiving $14 a week or more exceeded by 13 the percentage of women workers in specialty stores, and by 41 the percentage of women employed in all four types of retail stores.

The comparison drawn here between the rates of the women employes at Filene's and those of women in other retail establishments in the state indicates that the policy of the company to pay higher than the market rates has some application in practice.

RATES AND THE COST OF LIVING

The most vital significance of such figures lies, however, in their relation to the cost of living. For women employed in various occupations in Massachusetts, the

TABLE 9.—PERCENTAGE DISTRIBUTION OF WOMEN EMPLOYES BY WEEKLY WAGE RATES, IN FOUR TYPES OF RETAIL ESTABLISHMENTS IN MASSACHUSETTS[a] AND IN WILLIAM FILENE'S SONS COMPANY

Weekly wage rate	Retail establishments in Massachusetts					Filene's
	Department stores	Specialty stores	Chain stores	Grocery stores	Total	
Less than $10	6	3	21	10	10	3
$10 and less than 12	11	5	44	11	20	2
12 " " " 14	25	19	24	31	25	9
14 " " " 16	33	31	8	33	25	14
16 " " " 18	10	13	2	9	8	20
18 or more	15	29	1	6	12	52
Total	100	100	100	100	100	100
Actual number of women	6,445	1,381	3,500	589	11,915	2,059

[a] Mimeographed data from Division of Minimum Wage of the Massachusetts State Department of Labor and Industries.

minimum cost of living has been estimated from time to time by the state wage boards. These estimates appear in the form of budgets. None was agreed upon by the Retail Store Wage Board. However, the budget adopted by the wage board for the millinery trade, which includes retail millinery workers, may serve as a rough guide for women workers in retail stores generally. As shown in Table 22, Appendix A, the minimum weekly cost of living estimated in January, 1925, for women employed in this trade was $13.90, or approximately $14.

As already indicated in Table 9,[1] of the 2,059 women on the Filene payroll for the week ending October 2, 1926, 86 per cent were receiving a rate of $14 a week or more. Of the 14 per cent receiving less than this rate, it is estimated that at least 100 of the 199 selling operators in this group were employed on a part-time basis. Also, the selling operators, it must be remembered, receive a commission, which, naturally, is not included in the rate.

How many of the women employes had dependents to support, we do not know. The records from which our data were taken did not indicate this information. But the maintenance of dependents is an important factor in considering the degree to which wages adequate for the support of one woman meet all her costs. Nor have any official budgets been devised, so far as we know, for men workers in retail stores and their families.

A REQUIREMENT OF CO-OPERATION

That Filene employes may have been comparatively satisfied with the wage policy of the company, as re-

[1] See also Table 21, p. 457.

flected in their rates and earnings, is possible. This fact, coupled with the lack of an integrated organization of occupational groups, may partly explain the passivity of the Filene Co-operative Association in relation to wages. But granted the lack of initiative on the part of the Association, a company, it seems to us, concerned with fulfilling one of the primary purposes of the Association, "to give its members a voice in their government," is under an obligation to devise ways and means to permit them to participate in determining their wage rates.

CHAPTER VII

PROFITS

PARTICIPATION by employes in the profits of the business was one of the three principles early adopted by the company. Its essential purpose was to stimulate productive effort. Employes, however, were not merely to partake of profits passively. By virtue of that second principle inherent in the Filene philosophy of industrial relations, i.e., employe participation in management, they were actively to participate in planning the distribution of profits. The extent to which they have done this has been one of the questions of our study.

THE ORIGINAL PROFIT-SHARING PLAN

With profit sharing as operated from 1903 to 1912, the Filene Co-operative Association had no concern. The reason lay in the fact that the plan applied almost exclusively to executives, buyers, assistant buyers and other specialists, who had organized themselves into a Profit Sharers' Club. Shares of profit were of two kinds, departmental and general, and were issued on the basis of positions. One hundred shares were allotted to each department, each share equivalent to 1 per cent of the departmental profits. Each of the holders of the general shares—not more than 200 in number—received "one-half of one per cent of all sums distributable to the cor-

poration as the holder of the unissued profit shares of the several departments."

The requirements to be met before any profit was available for distribution were so high, it is stated, that in many instances a number of shareholders received no profit whatever. Of the dissatisfaction of the holders of the general shares, there is evidence. And some of the holders of departmental shares appealed to a special arbitration board to decide questions in relation to their award or lack of award. But, however great the dissatisfaction, the subject of profit sharing during these years was never dealt with by the Council of the Filene Co-operative Association or by its members at large.

THE 1913 PLAN SUPERSEDED BY A BONUS

In 1913 the stockholders approved a draft-plan for profit sharing which might become operative after the year in which the so-called "contributed surplus" should have been paid back. The contributed surplus represented in round figures $531,500 put by the common stockholders into the new corporation, for which they received no stock. It was to provide a sufficient fund to cover the losses of the first year in the new building. To pay back this advance to themselves, these common stockholders agreed in March, 1913, to pool their second preferred and common stocks and to apply all profit on these two classes of stock toward that advance. At a meeting on August 16, 1912, the common stockholders had authorized the president and treasurer to execute a profit-sharing plan in the form submitted. Later, on May 24, 1913, the stockholders voted that the plan would not become effective until the year after the one in which the

contributed surplus should be repaid. Not until February 15, 1927, was this contributed surplus paid back in the form of a cash dividend, and the trust under the associates' agreement was terminated on that date. Meanwhile, on January 31, 1927, the profit-sharing plan was finally withdrawn by the stockholders. The abandonment of the profit-sharing plan, however, did not mean the end of profit sharing. A bonus plan was accepted as a substitute. The steps leading up to its adoption are of interest here.

In 1915, evidence indicates that members of the Filene Co-operative Association were speculating as to just what the draft-plan for profit sharing involved and when it would become operative. This uncertainty led the two Filenes in November of that year to go before the Council and explain the proposal. Thereupon the Council voted that the president of the corporation appoint a committee "to get ready at once the material relative to the plan in order that a full discussion might be held at the next meeting of the Council." Following this vote, the general manager, A. Lincoln Filene, stated in a letter to the executive committee of the directorate that he felt it was undesirable to begin an educational campaign about the profit-sharing proposal until the time came for it to be put into operation. Accordingly the executive committee, on December 15, 1915, recommended that the Council of the Filene Co-operative Association defer consideration of the question until after the close of the fiscal year (August 31, 1916) because of the improbability of any general profit-sharing dividends for distribution that year. The Board of Directors, convening later on the same date, approved this recommendation.

At a meeting of the executive committee of the directorate held on January 10, 1916, the president of the corporation, Edward A. Filene, compelled to be absent, sent a note stating:

> I still favor the study by the Filene Co-operative Association of our profit-sharing plan now. There is a chance of some profit-sharing this year if good work is done, and next year surely. Part of the profit depends on our people's knowing and helping more . . . .

After discussion the committee decided to reaffirm its previous vote, that is, to defer consideration of the question, and on January 24 the Board of Directors again confirmed that action.

The First Bonus

In September, 1916, the certainty of a net profit led the directors to vote for the appointment of a committee to concern itself with its distribution. The store manager, the comptroller, the merchandise manager and one member of the directorate not a member of the Management were to make up the committee. It was to report on a bonus plan "that shall contemplate the offering of bonus arrangements to all of the employes of the store, so far as such arrangements can be made practical and in time to be effective during the present six months' period." As used in this vote, "bonus" was defined as "an inducement to make any employe get a better result than he would be likely to get without it."

Whether the fourth director appointed on this committee represented the Filene Co-operative Association, the records, in so far as we could determine, do not indicate. At any rate, one of the F. C. A. directors re-

reported to the Council that the directorate was considering the distribution of bonuses for the current six months' period. He wished, he said, to secure the Council's endorsement of a plan and to present it to the directorate. This occurrence created much discussion and led, on the initiative of the president of the Association, to an interview between him and the president of the corporation. As a result all six owner-managers or members of the Management, as they were usually called, were invited to be present at the next meeting of the Council.

On November 2, 1916, four of the six members of the Management, the two Filenes, Mr. Cory and Mr. Kirstein, met jointly with the Council and discussed the distribution of net profits. Many non-Council members were present. The following were some of the questions asked the members of the Management:

(1) Does the provision in the by-laws give employes the right to general profit shares?

(2) If these rights exist, were they not to be put into effect after certain plans had been accomplished?

(3) Is it proper for the Council to know these plans?

(4) Have the plans been accomplished?

(5) If not accomplished, when may the F. C. A. expect that they will be accomplished?

(6) Is it true that the Management is not in agreement on the question of the distribution of net profits? If there is disagreement, what are the arguments that have changed the Management's point of view?

(7) Has the Management considered the advisability of a fundamental study of wages as a basis for any form of extra remuneration?

Replying to these questions, Edward A. Filene stated:

The by-laws[1] do provide for a profit-sharing plan, and the Management is in favor of that plan. But heavy charges on the business, changes in conditions and reorganization of the store are factors which have militated against the operation of the provision. It stipulates that no member of the Management nor any stockholder can receive a dollar of profit unless an equal amount goes to employes, outside, of course, of salaries and interest on money invested.

A. Lincoln Filene deprecated the making of promises until the Management was ready to justify them. Employes, he said, must bring profits to the business before there would be any to divide. There was agreement, he stated, that bonuses should be given solely with a view to making more profits, that bonuses were a form of incentive. Mr. Cory stated his preference for the principle behind general profit sharing to that behind bonuses. Mr. Kirstein said that if profit sharing meant more returns to the business, he favored it.

Plan Submitted by the F. C. A. Subsequently the directors voted to delay the question of bonuses until the president of the corporation had consulted and worked out the matter further with the Filene Co-operative Association. In accordance with his suggestion a committee of the Association, representing all groups of workers in the store, was appointed by the Council.

Eventually this committee drafted a plan for participating in profits, which was ratified by the Council and

[1] The profit-sharing plan as such is not part of the by-laws of 1912, but Section 13 of Article II of the by-laws is entitled "Profit Sharing" and explicitly gives the stockholders the right to establish a profit-sharing scheme. The plan here discussed was voted upon as a plan by the stockholders, and their vote was made known to all employes through the Filene Co-operative Association. But the vote itself and the information through the F. C. A. made it clear that the plan was not to be adopted until later.

sent to the president of the corporation. Briefly stated, the recommendations contained in the Council's communication accompanying its plan were three: first, for the current period, the distribution of a fixed sum on the basis of salaries; second for the ensuing year, the appointment of a joint committee representing the Filene Co-operative Association and the Management to work out a departmental bonus arrangement as possessing greater potentiality for incentive to effort; and third, a study of wages by the same committee. The communication, which was dated January 22, 1917, is presented below:

The Council wishes to make clear to the president that the plan hereinafter explained was based on the following premises:

First, that bonuses and profit-sharing are different.

Second, that a bonus is primarily an incentive to guarantee profits.

Third, that a bonus plan to be acceptable must be fair, possible of accomplishment, and must assure a reasonable reward.

The plan submitted, the Council believes, includes all these requirements.

. . . . . .

The F. C. A. believes that for this year the bonus plan which will be most acceptable to the majority of the F. C. A. and therefore most beneficial to the business will be one that provides for the general sharing of a sum of money to be determined upon, apportioned on the basis of salaries. It has reached this conclusion for the following reasons:

1. There is a widespread feeling throughout the store that such a general distribution of a bonus on the basis of salaries would result in greater fairness than the proposed departmental plan.

2. Nearly half of the year has already gone and it is our

belief that a departmental bonus arrangement which seems difficult to work out so that there is a general agreement as to its fairness would add to the general discontent, and the incentive desired would be lost.

3. Such a plan of general distribution at this time would strengthen the faith in the plan of profit-sharing to which the people of the store have been led to look forward for so long a time.

The committee wishes, however, to state that while for this year it believes a general distribution of a bonus is the best plan, it believes the departmental plan offers the greater incentive, if such a plan can be fairly worked out. It wishes, therefore, to recommend that for next year every effort be made to work out a fair departmental bonus arrangement. This committee recommends that the Council request the president to permit a committee of the F. C. A. to work with a committee of the Management to this end.

This committee further recommends to the Council that the Council request that a study of wages be undertaken at the same time by the committee of the Management and the F. C. A. because it believes that a fair plan of wage payment is an essential part of a well-worked out bonus plan, as well as of the accepted profit-sharing arrangement.

Specifically the plan itself provided for (1) minimum requirements in total sales and in percentage of net profit on sales; (2) the distribution of profits in excess of the required minimum up to $100,000 among all employes except the Management on the basis of salary; (3) the distribution of any profits remaining on the following basis: 50 per cent to the Management and 50 per cent to all other employes; (4) the assignment of quotas to each selling department by a joint committee of the Filene Co-operative Association and the Management.

On January 25, 1917, in reply to the Council's communication and plan, the directors affirmed their stand for the distribution of the total bonus on a departmental basis. Furthermore they indicated the limits within which changes in their own plan could be made. The bulletin read as follows:

We feel that for the good of the business a departmental plan should be put in this year, and have approved the following plan subject to ratification by the Council:

That a committee be established consisting of three to be appointed by the Council of the F. C. A., another three to be appointed by the Management, and a seventh to be selected by these six. Any agreements arrived at by this committee should then be submitted to the directors of the company for their consideration and decision.

This committee should take as a general basis the bonus plan previously adopted by the directors for the fiscal year ending August 31, 1917,[1] but should be given authority to make any of the following changes, subject to the approval of the directors:

[Here followed a list of possible changes. They were not deemed of sufficient importance to be included here.]

The Management feels that a bonus distributed according to wages does not give the proper incentive for extra effort.

The Management is already committed through its profit-sharing plan to the distribution of excess profits according to wages. We recognized even when this was adopted that any such distribution on this basis was unfair in certain respects, and we therefore established a Board of Apportionment, who should give extra remuneration to individuals who had done specially meritorious service during the year.

[1] On January 23 the Board of Directors voted "that the bonus plan proposed by the president as amended at this meeting be approved and submitted to the Council of the F. C. A. for ratification."

On February 1, 1917, the joint bonus committee representing the Association and the Management was appointed and worked out a departmental plan for the year ending August 31, 1917. According to this a fixed sum, $125,000, was to be set aside for bonuses. Certain minimum requirements were fixed for department sales, gross profit and expense. Fifty per cent of the profit in excess of that required was to be given as bonuses: one-third to the buying organization, one-third to the selling and one-third to the non-selling. The proportion of the one-third which each particular group of employes was to receive was predetermined, and the individuals within that group were to share on a salary basis.

According to editorials in the Echo on the distribution of bonuses, many employes were disappointed. It was generally felt that the so-called "general profit sharing" would have been better and fairer. But the Council, it was stated, had agreed to accept bonuses rather than stand out for general profit sharing. A majority of all the directors, including two of the four nominated by the Filene Co-operative Association, had voted for them. Furthermore, a joint committee representing the Association and the directors had labored hard and long to devise a plan which would be satisfactory to everybody.

Subsequent Bonuses

In determining the method of distributing bonuses for the three years following the first award, the Filene Co-operative Association participated either through representation on a joint committee with members of the Management or through a committee representing

the Association exclusively. Never has it had any say whatever as to the amount of the total bonus to be awarded. This has always been decided by the directorate. The percentage of the earned surplus[1] appropriated for bonuses annually from 1913 to 1926 is indicated in Table 11 on page 182.

Arbitration. In 1918 the question of the arbitration of bonuses arose. It was brought up by an amendment made by the directorate in accepting the bonus plan presented by the joint bonus committee of the Association and the Management. The amendment stated: "No decision is herein made on the question of arbitration."

In reply to this amendment the president of the Association, at that time also an F. C. A. director, wrote to the directorate, arguing for the privilege of arbitrating bonuses before a special board representing the Management and the Association. To quote directly from his memorandum:

> Bonuses should be arbitrable. They have become one of the most important factors in the life of our employes. Take the arbitration principle away from bonuses, and you kill the Arbitration Board and its influence with the employes. You go further and sow suspicion and undermine all the powers for good built up slowly and carefully over twenty years.
>
> Could anything be more moderate than the powers of arbitration of bonuses that we have asked? We ask no right to spend the firm's money outside of the amount agreed upon! We ask no right to put the money into the quicksands of

[1] As used here, "earned surplus" means the amount of net profits remaining after the deduction of dividends and reserves for taxes on excess income and the depreciation of merchandise, all deductions being reapportioned to the years to which they properly belong.

unrestrained expenditure. We ask no one-sided F. C. A. decision. We ask moderately for a committee of which three shall represent the Management and three the F. C. A., with a chairman.

The Board of Directors will not and cannot be an arbitration board. It cannot take the time to hear evidence; it knows fully one side of the case and hears the other only second-hand. A legislative body cannot be a judicial body. It can never be an arbitration board in the eyes of the rank and file simply because it is the Board of Directors.

For twenty years we have sailed serenely on the seas of arbitration and have not had a shipwreck once. Experts, both legal and commercial, have agreed that our decisions have been just. Why should we now decide that the principle of arbitration is unsafe?

These are the powers we ask[1]:

Cases of injustice under profit-sharing, or so-called bonus or commission agreements, may be arbitrated by a committee of equal representation of the directorate and the F. C. A., provided no such decisions shall increase the liability of the corporation over the predetermined allotments. If no such special committee is organized, appeal may be made to a special board. Decisions by a majority vote under this arbitration shall be final . . . . . .

All over the world, in the midst of wartime, the voice of democracy is being heard more and more distinctly. A vote restricting the powers of arbitration is a vote to restrict democracy in this store. It is up to us to vote whether the F. C. A. shall go forward or backward.

This communication was referred by the directorate to its executive committee. No record of any answer, either by the committee or the directorate itself, was

[1] The only powers asked for in addition to those regularly possessed by the Arbitration Board in the paragraphs which followed in the memorandum were those quoted in the next paragraph.

found. But since the president and general manager had always been scrupulously attentive to communications from the Filene Co-operative Association, it may be assumed that a reply was made. That it was favorable to the arbitration of individual bonus awards is inferred from a subsequent vote of the directorate unanimously approving the plan submitted by the Council of the Association, "provided it carried with it no right to arbitrate the amount of the *total* bonus to be paid by the corporation." In practice, however, this right to arbitrate individual instances was seldom, if ever, used. In surrendering hope of definite profit-sharing in favor of bonuses distributed by the Management, the employes gave to the managers large powers of judgment in conferring benefits upon individuals.

Charges for Depreciation of Merchandise. Concern with the total amount available for distribution in bonuses and with the method of computing net profit led the Council in July, 1919, to take the following vote on charges for the depreciation of merchandise:

> That the Council ask the exemption from depreciation charges of that merchandise received prior to September 1 which in the judgment of the merchandise manager is fall merchandise bought for delivery after September 1 but brought into our stock prior to August 30 because of present market conditions.

In a memorandum to the directors, commenting on this vote, the executive secretary of the Association stated that it was "just another phase of the lack of thorough understanding of the bonus situation." He suggested that if a series of talks by the Publicity Committee of the Association did not clarify the atmosphere,

that some member of the Management speak to the Council about charges for the depreciation of merchandise. Subsequently the directorate voted to notify the Council that it had been considering the question of the depreciation of merchandise for some time but had laid it on the table to await the results of the year's work.

Participation in Planning Discontinued. In September, 1919, a month after this vote of the directorate, discontinuance of participation by the Association in the formulation of any future bonus plans, outside of that represented by its directors, was forecast by the Management in its announcement of a new wage schedule. In addition to the changes already mentioned,[1] this provided for:

(1) The discontinuance of last year's bonus plan.

(2) The consideration by the directors, after the current year's results were known, of whether any distribution of the remaining profits should be made, and if so the amount.

"It is the desire of the Management," the announcement stated, "to continue to share, if possible, a portion of the net profits of the business with all employes of the corporation at the end of each fiscal year, but no general bonus plan is to be announced."

A bonus for the year 1919–1920 was distributed. That of the buying organization was based on the percentage of increased sales and gross profit over a predetermined quota. Operators other than salespeople received three weeks' wages.

For the six years 1921–1926 no evidence is available to indicate that the Association participated in the

[1] See p. 149.

bonus plans effective during this period. Bonuses for 1920–1921, 1921–1922 and 1922–1923 were distributed on the same basis as those for 1919–1920. But from 1924 to date the annual bonus has been awarded entirely on the judgment of the heads of the various divisions of the store organization as approved by the Operating Committee and the Management.

With the decrease of participation by the Filene Co-operative Association in planning the distribution of the bonus has come an increase in that of the Operating Committee. At present, in co-operation with the various executives in the store, this committee prepares for submission to the Management a list of all awards except those for its own membership. The Management reviews the list, making any adjustments deemed advisable, and fixes the amount for each member of the Committee. Various factors outside of work, it is stated, are taken into account by the executives in recommending awards, among them, absence and tardiness. But, broadly speaking, any predetermined standards have been lacking.

According to some members of the Management this method of determining the distribution of the bonus has resulted in greater satisfaction to employes than any other method tried. Satisfaction is certainly important. But a procedure, it seems to us, which abandons standards for awarding bonuses for more or less arbitrary judgments, and which thereby practically eliminates participation by the Filene Co-operative Association, demands some explanation.

This explanation is to be found, to some extent at least, in the belief of a majority of the members of the Management that "a little knowledge is a dangerous

thing." Profits, they argue, are very much a matter of bookkeeping. And bookkeeping in a business like theirs is not altogether easy for the majority of employes to understand. Taxes, charges for depreciation and other items which enter into the determination of earned surplus are somewhat complex matters. They are likely to be intelligible only to those who deal with them almost daily. Failure on the part of a large number of members of the Filene Co-operative Association to understand the methods of determining both the general bonus and individual awards was in the first distribution practically inevitable. Dissatisfaction naturally resulted.

To prevent a recurrence of the dissatisfaction over the first awards, two committees were organized. One consisted of representatives of the Filene Co-operative Association and the Management. The other was made up exclusively of members of the Association. Education of the membership as to what the bonus plan for that year entailed was stressed as an important function of the latter committee. Its efforts, however, did not allay discontent. To be sure, it did not concern itself with total profits, but with methods of administering a bonus decided upon by the directorate.

To go into the whole question of the bonus with the entire group of employes seemed to the majority of the members of the Management far from feasible. Specialization of knowledge, particularly in this age when it was increasing so rapidly, was an essential condition of living. All workers were not omnicompetent. In the management of business as well as in that of government, non-executives, at any rate, must delegate power to those who are specialists in management and in whom

they have confidence to represent and protect their interests. Four of the directors of the corporation, it was emphasized, were nominees of the Filene Co-operative Association.

Irrespective of the incompetency of members of the Association to understand methods of finance and accounting, their satisfaction with bonus arrangements was deemed most desirable. How to achieve it? The answer of the majority of the members of the Management lay in the substitution of confidence for education —confidence in their own judgment and in that of the Operating Committee and the directorate. Nominees of the Filene Co-operative Association on the directorate, they argued, were a guarantee to its members of their fair share of the profit. Moreover, the financial statements of the company were accessible to any member of the Association, on request to the Management.

This, then, is the explanation offered by the Management as to why participation in bonus plans by the Filene Co-operative Association, otherwise than through its nominees on the directorate, was abandoned.

Exception was taken, by some of the executives interviewed, to the Management's contention that the method of distributing bonuses in operation had resulted in greater satisfaction to employes than any other tried. One of these executives made the following statement:

> Dissatisfaction exists, but the Management is not aware of it. Unfortunately, its members are getting more remote from us than they used to be. Not only have they curtailed participation by the F. C. A. in bonus plans, but they have increased that of the Operating Committee. Happy with its own growing awards, the Committee probably believes that

all the rest of us are content with ours. And naturally its point of view has weight with the Management.

More or less the same sentiment was expressed by one of the buyers, who said: "The trouble is that there are too many steps nowadays between us and the Management."

Distribution of Awards

Table 10 indicates the percentage of the total bonus[1] set aside annually for the Management, the present members of the Operating Committee and other employes, from 1913 to 1925.

TABLE 10.—PERCENTAGE OF THE TOTAL BONUS AWARDED TO MANAGEMENT, TO MEMBERS OF OPERATING COMMITTEE AND TO OTHER EMPLOYES, 1913–1925, BY YEARS

Year	Per cent of total awarded to		
	Management	Members of Operating Committee	Other employes
1913[a]	–	–	100
1914[a]	–	–	100
1915[a]	–	–	100
1916[a]	–	–	100
1917	–	3[b]	97
1918	–	4[b]	96
1919	30	4	66
1920	40	8	52
1921	38	14	48
1922	40	16	44
1923	43	15	42
1924	42	15	43
1925	35	22	43

[a] From 1913 to 1916 the bonuses awarded were in fulfilment of contracts, particularly with executives in the merchandise pyramid and buyers.

[b] These awards were made in 1917 and 1918 to individuals who in 1919 received them as members of the Operating Committee, which was created in 1918.

[1] Exclusive of commissions to salespeople and certain other workers.

The percentage of the annual bonus awarded to the members of the Operating Committee increased from 4 per cent in 1919 to 22 per cent in 1925. For other employes the percentage decreased from 66 per cent in 1919 to 43 per cent in 1925. Nor has the Management during this period ever been awarded less than 30 per cent of the total bonus. In 1923 it received 43 per cent.[1]

The relation of the amount set aside annually for bonuses to the earned surplus of the company from 1913 to 1926, inclusive, is shown in Table 11.

TABLE 11.—PERCENTAGE OF EARNED SURPLUS[a] SET ASIDE ANNUALLY FOR BONUSES, 1913–1926

Year	Per cent
1913	0.3[b]
1914	10.7[b]
1915	14.7[b]
1916	19.0[b]
1917	21.2
1918	30.0
1919	32.6
1920	38.7
1921	36.0
1922	34.8
1923	37.1
1924	47.9
1925	50.4
1926	45.1

[a] See footnote, p. 174.

[b] These percentages represent not the regular bonus but payments made to executives, buyers and assistant buyers in accordance with contracts calling for a commission on their sales in addition to stipulated salaries.

Between 1913 and 1926 almost $4,500,000 was distributed in bonuses.[2] The percentage of the surplus

[1] It should be noted that in 1928 three of the four nominees of the F. C. A. on the directorate were members of the Operating Committee and the other two members of this Committee were also directors.

[2] The small percentages of the annual surplus set aside for bonuses in 1913, 1914, 1915 and 1916 represent for the most part amounts paid

represented by the annual bonus more than doubled from 1917 to 1926. As Table 10 has shown, a percentage varying from 30 to 43 was awarded to the members of the Management.

These and other data clearly indicate that the tendency is toward distributing a larger percentage of the annual award to executives and specialists. Consequently other workers receive a smaller percentage. Evidently the aim of the Management[1] to distribute its profits as widely as possible is giving way to the practice adopted by all the other stores in the Retail Research Association. In none of these do members of the rank and file share in profits. This practice, it is said, is based on the conclusion that, as an incentive to increased effort, profit sharing is less effective with this group of workers than with executives and specialists.

With this limitation of profit sharing to a small group Edward A. Filene did not agree. The success of the business depended not only upon the leadership of the Management but upon the participation of 3,000 employes in carrying out the policies of management. His disagreement has been expressed on occasions when increased salaries and bonuses were proposed for managers. These seemed to him contrary to the original policy of the business, which involved the principle of sharing with employes the results of the success for which they were jointly responsible. He believed, more-

to executives, buyers and assistant buyers in accordance with contracts held by them with the Management. Subsequently the contract system was discontinued. Edward A. and A. Lincoln Filene were the only employes having contracts during the main period of this study. In the reorganization of 1928, new contracts were made with them and with Messrs. Kirstein and Frost for periods of twelve years.

[1] Filene, A. Lincoln, A Merchant's Horizon, p. 120.

over, that the sharing should be based on predetermined standards of achievement.

Effects of the Bonus

According to the definition accepted by the Management, a bonus is an extra reward for extra effort. But among executives, it was stated that it had served in practice as part of what might be termed their market rate of compensation. Certain members of the Operating Committee and other executives, it was held, could command much higher salaries if they were to leave Filene's and go to some other store. But they had been with the company a number of years. Moreover, they were in positions where they could substantially affect the amount of profit to be made. Accordingly they were content to run the risk of receiving an annual bonus which would adequately reward them for their services.

It was generally acknowledged by executives other than the members of the Management that the bonus was coming more and more to stimulate them to do better work. One of the reasons given was the increasing size of their bonuses. The amounts were considered large enough to be worth increased effort. For 1925 one member of the Operating Committee received a bonus of $50,000, and the lowest award to any member was over $15,000. More than 60 others, executives, buyers, assistant buyers and specialists, received over $1,000 each.

According to one member of the Operating Committee, the awards had furnished major executives an occasion for discussing with assistant executives the weaknesses and the strength of the latter. Measurements of these were developing. The Retail Research Associa-

tion was becoming a source of supply for such measurements. Data from its membership on the operation of delivery departments, for example, afforded the Filene Management and Operating Committee a basis for estimating the ability of the executive in charge of their own delivery service. A bonus determined with these data in mind and properly corrected was coming to have significance as a reward for extra effort. That it was engendering in the executive organization a healthy spirit of rivalry which was "putting it on its toes," was the consensus of opinion among those interviewed.

With the rank and file, however, the bonus seems to have had little effect. For a short period before and after its distribution these workers may have made a little extra effort, it was stated, but, if so, it had been negligible. An arbitrary award of approximately three weeks' wages at the end of a year, it was agreed, has too little relation to performance to have much influence on it. Moreover, standards of measuring the work of the great majority of the non-selling rank and file were lacking. As a result, these workers, it was reported, had come to look upon their bonus as an expected gift. To them it was primarily an expression of the Management's goodwill and desire to share its prosperity with those who had helped to create it.

Nor, it was admitted, did the bonus fail to have unfavorable effects. Often for one worker to learn that an associate had received a larger award than he, caused temporary discontent. Bad morale ensued. "But, irrespective of the justice or injustice of individual awards," stated one executive, "grievances tend quickly to become dissipated in the general feeling of employes that this is a nice store to work in, the Management is

a pretty good Management and whatever it does is right."

Of particular significance was the testimony of the general manager. His experience with the bonus and other forms of profit sharing had convinced him, he stated, that for the great majority of workers it meant little or nothing. As a result of it they felt confidence, he thought, in the fairness of the Management. But as to more tangible effects, he was dubious.

ABANDONMENT OF THE PROFIT-SHARING PROPOSAL

Whatever the shortcomings of the bonus as an incentive to extra effort, it has been held preferable by the Management to the profit-sharing proposal. According to this, the net profits remaining each year after specified deductions had been made were to be divided into two equal parts. One was to go to the members of the Management; the other, to all regular employes of the company other than the members of the Management. They were to receive amounts in proportion to the salaries paid them for services performed during the year in which the profits were earned. In order, however, to reward particularly deserving effort, a Board of Apportionment was provided for. This board was to be made up of three members appointed by the Board of Directors and three by the Filene Co-operative Association, these six members choosing a seventh to act as chairman.

One of the arguments advanced by the Management against putting the profit-sharing plan into effect was that salaries as a basis for distributing profits do not offer enough stimulus to extra effort. Such an arrangement, it was maintained, would tend to crystal-

lize each worker's performance. It would not provide rivalry. The organization would tend to operate in about the same capacity as if no profit sharing existed.

In considering these statements it must not be forgotten, however, that until recently the bonus to the non-selling rank and file was distributed on a wage basis. Moreover, the profit-sharing plan provided for the rewarding of extra effort through a Board of Apportionment.

Cogent as may be the objection to salaries as a basis for sharing profits, it is not the sole reason for the abandonment of the profit-sharing plan. Federal and state tax regulations governing corporation profits are somewhat responsible. According to these regulations, bonuses, "if they do not exceed a reasonable compensation for services rendered," may be charged as an operating expense of the business. They therefore are not subject to taxation, at least as far as the business is concerned.[1] Profits, however, distributed in accordance with the profit-sharing proposal, would not be classed as an item of expense and hence would be subject to taxation. If the total bonus of $715,000 awarded by the company in 1925 had been distributed according to the profit-sharing plan, the company would have had to pay additional taxes amounting to approximately $115,000 to the federal and state governments.

From the point of view of their own individual interest most of those interviewed who were familiar with the plan—and they were executives and specialists—preferred the method of profit sharing therein proposed, to that represented by the bonus. Bonus awards, they

[1] The federal and the state governments get returns from these bonuses in the income taxes paid by persons receiving them.

agreed, were uncertain. Lack of predetermined standards for making them was an inevitable cause of dissatisfaction. The basis for distributing profits as provided in the plan was definite. Each employe, they asserted, could have been sure that he would have shared according to his salary. Moreover, salespeople, in addition to their commissions on sales, also would have participated in profits. The desirability of their doing so was emphasized in the interest of fairness if not efficiency.

Against the enforcement of the plan the only argument presented by those interviewed was the creation of a steady pressure for increase in salaries. And this, it was agreed, was entirely problematic.

But whatever the possible advantages or disadvantages of the plan proposed, it has been rescinded. The bonus seems to have gained a strong foothold. For executives and specialists it bespeaks an increasing participation in profits and management; for the rank and file, a decrease. Even more, it would seem to be a step in the direction of participation by individuals rather than by the group, and in the making of awards the personal judgment of superiors is in part substituted for impersonal and objective standards.

CHAPTER VIII

DISCIPLINE

IN STORES whose employes number among the thousands, the observance of rules affecting all employes presents a problem in management of no slight significance. The human intercourse between customers and employes and between one employe and another, inherent in the nature of selling, begets sociability and informality among all the workers in the store. This is enhanced when business is dull, and tends to result in a slackening of discipline. At Filene's the solution for maintaining it has been held to be in store rules which employes may initiate, modify or cancel. With such power they would feel some responsibility, it was believed, for obeying them.

When the first rule book was compiled, it was submitted to the Filene Co-operative Association and approved by it. Since then, the Association has taken action on a number of particular regulations. Of these the most significant have been concerned with store dress, tardiness, absence and discount on purchases.

STORE DRESS

As a means of lending taste and dignity to the appearance of the store, the dress of all women employes engaged in work which brought them under the direct observation of customers has long been a matter of regulation. From time to time, rules which have governed dress have been modified to meet changes in style or

other needs. In November, 1922, 134 members of the Filene Co-operative Association petitioned the Council for a mass meeting on the subject of the new dress regulations announced by the Management. These were to take effect December 1. They required the wearing of black dresses. A previous ruling had prescribed dark blue.

In answer to this petition the Council voted on November 15, 1922 that:

> Most employes, acting upon instructions from the office of the superintendent of service,[1] have purchased dresses in conformity with the regulations issued in October and described personally at that time by him. These dresses will not conform to the new regulations, to take effect December 1, thus being in large part a loss to the employes. Further, many of these purchases are still being paid for on a weekly basis. Any new expense will entail extra hardship financially at this time, due to a desire to meet adequately the responsibilities of Thanksgiving and Christmas. The Management therefore is requested to postpone the date when the new dress regulations shall become operative from December 1 to February, 1923.

On November 17, 1922, the executive secretary of the Association reported that the ruling regarding the wearing of black dresses after December 1 had been changed. Employes would be allowed to wear dark blue until the spring season. Further details would be printed in that week's Echo.

In 1924, through the Salesforce Committee of the main store, saleswomen voiced their desire to wear dotted black dresses during the summer months. They maintained that it was practically impossible to get

[1] At that time there was only one superintendent of service.

thin black dresses that were not figured. The rule, however, was against dotted and figured dresses. After much controversy, the vice-president in charge of the store finally told the committee to put down in writing the regulations it considered satisfactory. The committee did this and the vice-president accepted its statement as the regulations for store dress during the summer period.

TARDINESS

Before discussing the work of the Association on tardiness, it seems pertinent to present the regulations governing it.

Time clocks are not in favor at Filene's; they are used only in the service building in Cambridge. Employes, it is maintained, resent them. They savor too much of a mechanistic régime. In their stead two time-keeping systems have been devised: one for operators and one for executives and specialists.

To each regular operator a time card is issued for each week. This card he presents each morning if he arrives before 8:50 a.m. at the time desk, where it is properly punched. If he arrives after 8:50, he is late and must go to the Employment Department. The personnel superintendent or his representative punches the card and records the tardiness against the employe.

With few exceptions employes working on other than the regular schedule of hours are required to be in the store ten minutes before the appointed time for them to begin work. Employes who live at great distances and whose trains do not get them in before 8:50 a.m. are allowed until 9:15 a.m.

Executives and specialists record the time at which they enter in the morning on a special register kept at

the time desk. At 8:50 a.m. a red line is drawn across the register. All executives and specialists signing after this red line has been drawn are counted late, and the time they sign is entered in red ink in the time book. A clerk in the Employment Department transfers the information from the time book to the master cards of the employes.[1] On the first of each month a memorandum is sent from the personnel superintendent to the supervisor of each employe (executives and specialists as well as operators) who has been late three times in four consecutive weeks as shown by the postings on his master card.

The first organized attempt by the Filene Co-operative Association to control tardiness occurred in 1920, when it appointed a Tardiness Committee. This existed until 1924. For some time prior to October 1, 1920, the daily number of operators who were late for work in the morning was over 200. Responsibility for decreasing this tardiness was delegated by the vice-president in charge of the store to the employment manager. Accordingly, the latter required every full-time employe who was late, other than executives and specialists, to report to the Employment Department to have his time card stamped. The employment manager himself interviewed such employes and O.K.'d their time cards. In addition, the Council of the Filene Co-operative Association voted to appoint a committee on tardiness.

At its first meeting, November 1, 1920, the committee which consisted of five members, adopted the following rules:

1. Any employe late twice in one month shall be called before the Tardiness Committee for interview.

[1] See pp. 466–469.

2. Any employe who has been required to appear before the committee twice shall have his name sent to the personnel superintendent together with recommendations from the committee as to action.

3. Any employe required to appear before the committee three times within three months shall be sent directly to the personnel superintendent.

4. The employment manager shall communicate with the head of each department to which an employe summoned before the committee belongs, in order that the head of the department may have an opportunity to prevent tardiness in the future.

Until September, 1923, meetings of the committee were held quite regularly once a week in the clubrooms of the Association. Each offender appeared alone before the committee and was subjected to a severe cross-examination. The experience was far from pleasant, and some employes preferred to be absent for the day rather than appear before the committee. From September 1, 1922 to August 1, 1923, the committee interviewed 546 employes.

In its report for the year ending April 30, 1922, the committee comments on the responsibility of executives for tardiness as follows:

The committee feels that department executives should be able to control tardiness to a much greater degree than they do at the present time. The committee should most certainly not be held entirely responsible for increase in tardiness after it has patiently handled the question as fairly as it knows how. It has really done the work for the executives for a year and seven months and feels that the members of the committee should have every co-operation and support by the executives of the store in order to hold the splendid record which the store has made.

Under the pressure exercised by the committee, tardiness, by the end of the following year, had perceptibly decreased. But as soon as pressure was withdrawn it began to increase again. The committee felt the necessity of developing a policy the effects of which would be lasting. Investigation revealed the fact that much tardiness prevailed among executives and that nothing had been done to correct it. They were setting a bad example for their subordinates. The committee therefore undertook to correct the tardiness of executives and specialists as well as of operators. Finally, on November 14, 1923, in a memorandum to the Council, it set forth its conclusion that its function should be advisory to the personnel superintendent. Furthermore it submitted a procedure for controlling tardiness. The memorandum follows:

The F. C. A. Tardiness Committee feels that its function is to reduce tardiness, not by checking the individual who is tardy, but by placing the responsibility for tardiness where it really belongs, viz., upon the division and department heads.

Therefore, the committee feels that it should be an advisory committee and make its contact with F. C. A. members through the personnel superintendent. With this in view, the F. C. A. Tardiness Committee, of which the personnel superintendent is a member, has agreed to the following procedure:

1. That the F. C. A. Tardiness Committee meet periodically to hear reports from the personnel superintendent in regard to the tardiness situation, and to submit to the personnel superintendent any suggestions they may have.

2. That when non-executives are tardy too frequently, the personnel superintendent send to the division head a notice containing the individual's tardiness record asking for a

statement of the action taken. The head of the division will transmit such notice to the immediate superior of such employe, and have the report of action returned to him before passing it back to the personnel superintendent.

3. That the division head be responsible through the above means either to correct the methods of executives in handling cases of excessive tardiness, or request the personnel superintendent to deal directly with such executives of the employes concerned.

4. That the same method be used in supervising the tardiness of executives, reports on them being passed on to the vice-president in charge of the store by the personnel superntendent.

The above method of tardiness control will thus be handled in the same manner as other responsibilities, namely, by following the lines of store organization.

On November 22, 1923, the Council took the following action on the memorandum above quoted:

VOTED: That the Council accept this bulletin and report to the Tardiness Committee that this matter will be tabled for three months. At the end of this time the Tardiness Committee shall submit a report to the Council on the results of the procedure outlined in its memorandum.

Subsequently, in accordance with the foregoing vote, the Tardiness Committee gave evidence of the efficacy of the policies and procedures it had instituted, and recommended its discontinuance in the following bulletin:

It appears from the progress made[1] . . . that the policy set down by your committee is reasonable and effective.

[1] For nine months (November, 1923 to August, 1924) tardiness among operators was 2.8 per cent less than for the corresponding period in 1922–1923. Among executives and specialists, it decreased 25 per cent.

Obviously, the committee's policy had developed in the executives a feeling that they, personally, are responsible for the tardiness record in their respective departments. Apparently, in the past, they assumed that this part of their job was taken care of by the Employment Department.

The percentage of tardiness, both for executives and employes with time cards, is now at a very low point. More important, the machinery has been set up to enable the personnel superintendent to quickly detect and correct any recurrence of the situation as it existed heretofore. Therefore, your committee is of the opinion that the necessity for a Tardiness Committee no longer exists.

On November 13, 1924, the Council voted that the Tardiness Committee had accomplished its purpose and that it be abolished.

ABSENCE

The absence of its members from store work was first considered by the Filene Co-operative Association in 1923. The committee created to deal with this problem consisted of five members appointed by the president of the Association and confirmed by the Council. The first task it set itself was the determination of the amount of absence in each occupational group in the store. This it accomplished by making an analysis of the regular payroll[1] over a two-year period ending August 31, 1924. The analysis showed for that period the percentages of each occupational group of employes who were absent and, of these, the percentages who were paid through "D.D.'s,"[2] who received benefits for

[1] Including those on the inactive list and those on vacations. Paid vacations have not been counted as absences.

[2] The letters "D. D." stand for "don't deduct." A "D. D." is an authorization to the effect that an employe's wages are not to be deducted because of absence.

sickness, and who remained unpaid. On the basis of these statistics the normal rate of absence for the store was declared to be 4½ per cent. Of this, ½ of 1 per cent received "D.D.'s"; 1 per cent, benefits; and 3 per cent were unpaid.

Inasmuch as the percentage of absence in the selling organization was shown to be particularly excessive, the committee proceeded to an intensive study of absence in that organization. It found itself confronted with questions of the "D.D." policy, physical examination of employes and comparable problems.

"The next year," 1925, according to the chairman, "a committee was again appointed but recommended its immediate discharge on the ground that absenteeism was a store matter and ought to be handled as such." That it was, however, a matter of very vital concern to the Filene Co-operative Association was proved by the appointment of a Committee on Payment for Absences. This committee collaborated with the Benefit Society of the Association to develop new rulings in regard to "D.D.'s" and other problems of procedure affecting the Society. It has now evolved into the Pension Committee.

DISCOUNT ON PURCHASES

It is the custom of department stores and others comparable to them to grant their employes a discount on their purchases. In Boston the common rate is 15 per cent. As indicated in the following regulations in practice at Filene's, its rate exceeds this by 5 per cent.

1. Regular employes only are eligible to receive discount, and then only after one month's employment.

2. Employes will receive a discount of 20 per cent on all merchandise paid for by them (see exceptions below). This

applies to merchandise for their own use or for the use of those for whose support they are entirely responsible, as well as to merchandise bought for Christmas gifts and similar purposes.

3. Employes shall under no circumstances ask for a discount on merchandise paid or partly paid for by any other person.

4. Exceptions to 20 per cent discount rule: No discount will be given on anything bought in the basement. No discount will be given on merchandise which is branded and on which the price is fixed by the manufacturer. No discount will be given in the following service departments: glove cleansing, bootblack stands, repairing departments, barber shops, public restaurant, hairdressing and manicuring (except on merchandise such as hairnets and hair goods).

5. The infraction of these rules will result in the withdrawal of the discount privilege and renders the employe liable to discharge.

Notwithstanding the last provision, abuse of the discount privilege has occurred again and again. In 1920 it became particularly conspicuous. The matter was referred by the vice-president in charge of the store to the Council of the Filene Co-operative Association and eventually resulted in the appointment of a committee to look into the question.

During its first year of office seven abuses were referred to the committee. In four instances dismissal was recommended, but in one an appeal was made to the Arbitration Board and the employe in question reinstated.

In January, 1923, the committee submitted a plan for identifying employes and those of their dependents entitled to discount. According to reports of the committee, the adoption of this plan has succeeded in reducing abuses to a minimum. Henceforth the function of

the committee will undoubtedly be limited to the making of "rulings on contemplated purchases."

It may be concluded from the action of the Filene Co-operative Association on the foregoing problems of discipline that it considers its function to be a legislative and not an executive one. In other words, it interprets its province as the determination of policies or rules pertaining to these problems; and the execution of them, as a responsibility of the executives concerned. With this point of view there seemed to be unanimous agreement among those interviewed. It tended, they believed, not only to preserve the authority and prestige of executives, but also to maintain discipline in a measured form. The Tardiness Committee had proved a more severe taskmaster than store executives; much more severe, it was suggested, than the infraction of rules governing tardiness warranted.

Some of the executives interviewed stated that the influence of the Filene Co-operative Association in promoting discipline had been negative; even more, that it had been positively detrimental. The sense of independence and freedom engendered by the power and activities of the Association, they testified, had made the maintenance of discipline particularly difficult.

In answer to these comments one executive said: "Discipline may be loose, during certain hours or days when business is slow. But when there is something to be done you can depend on the members of the F. C. A. to do it. The harder the challenge the more effectively they meet it."

CHAPTER IX

WELFARE WORK

THE maintenance of services and activities vital to the well-being of employes has come quite generally to be accepted as a responsibility of management. Wide variations exist in the scope of this responsibility as actually carried out. In some measure these variations are due to factors peculiar to an industry, locality or plant; but also they are due to differences of opinion as to the desirable extent of welfare activities. And these differences in turn are tied up with the question of employe responsibility for initiating and carrying them on.

It has been the Filene policy to encourage employes, through the Filene Co-operative Association, to ascertain their own needs and in co-operation with the company to provide facilities in so far as practicable for meeting them. With the exception of the clinic, the actual management of these facilities has always rested with the Association.

INSURANCE AND HEALTH

One of the first measures with which the Filene Co-operative Association concerned itself was the protection of its members during sickness. Stories of hardship and suffering endured by employes through illness and consequent loss of pay are too well known to require repetition here. Suffice it to say that the needs of Filene employes for financial assistance during periods of ill-

ness and in case of death led, as early as 1898, to the establishment of an Insurance Committee. Through various vicissitudes this committee has evolved into the present Filene Co-operative Association Benefit Society.

It was on January 1, 1921, that the Benefit Society was incorporated. Membership in it is obligatory upon every person who has been in the regular employ of the store three months.[1]

The Society is governed by a president, vice-president, secretary, treasurer and four others who, with the officers, comprise the board of governors. All are elected annually by the membership.

Twenty years of unsatisfactory experiment had made the Association cognizant of the need for officers of demonstrated administrative ability. With the formation of the new society, therefore, much care was exercised in nominating those who were to govern it. In fact, a ticket was prepared which allowed the membership practically no choice in election. Nor was there any complaint against this procedure. Furthermore, ever since, it has been the policy of the Association to make as little change as possible in the personnel governing the Society, in order to insure maximum progress in its development. This policy has made it possible, therefore, for only a comparatively few members—and those, executives—to gain experience in the official management of the Society.

Once a month a premium is deducted from the pay envelope of each member, amounting to four cents on every dollar of one week's salary up to $60. For ex-

[1] Only employes who had notified the secretary of the Society in writing, within thirty days of the date of its incorporation, that they did not wish to belong, were excused from membership.

ample, the premium on a $20 salary is 80 cents a month, and the premium on weekly salaries of $60 and over is $2.40 a month. The company contributes to the insurance fund an amount equal to that paid by members.

Benefits may not be paid by the Society for "chronic diseases, or diseases existing before a member joins it, for nervous or mental diseases or rest cures, nor for sickness or disability resulting from a member's indiscretions."[1] Nor is any benefit paid if it is found that members have made untruthful statements regarding their health on their application for employment. For absences of two weeks and over, payments are made only on the certificate of a duly qualified physician. For absences of shorter duration payment is made on the signature of one of the three store nurses employed unless a doctor has been in attendance, in which case his signature is required.

The sickness or accident benefit amounts to three-fourths of the employe's weekly salary up to a benefit of $45 a week (three-fourths of $60). Payments are operative upon the second day of absence and continue during disability for a period of twenty-six weeks. No payment is made for the first day of absence. Prior to August 1, 1926, payments were dated from the first day of absence when the duration of such absence extended to seven days, but in no case were benefits paid for an absence of less than seven working days. For many of these absences of less than seven days the Management paid through "D.D.'s."[2] In 1925 it paid out $18,654 in "D.D.'s" for illness.

[1] Constitution and By-laws of the F. C. A. Benefit Society, Article IX, Sec. 2. (Printed by the company.)

[2] See p. 196, footnote 2.

The death benefit paid by the Society amounts to $250. It is raised by a special assessment of 10 cents per member.

For the calendar year 1925 the Society expended to 719 members disability benefits amounting to $47,224. Death benefits totaling $4,750 were paid for the same period.

The Clinic. Since June, 1926, responsibility for the clinic has been shared jointly by the Benefit Society and the Management. Prior to this time, it was part of the Personnel Division of the store organization. To carry on its work properly, however, the Benefit Society came to feel the necessity of having some authority over the clinic. Accordingly it requested the Operating Committee to permit it to have "control over all but that part of the clinic which does curative work, i.e., the dentists and the nurse who treats complaints." The request was granted.

Control of the clinic was defined by the board of governors of the Society as follows:

a. The Clinic shall be in charge of a Head Physician chosen by the Management and approved by the Board of Governors of the Benefit Society. Any changes in supervision must be agreed to by both the Management and the Benefit Society. The Head Physician shall be responsible for all the work performed by his staff for the store and for the Benefit Society and he shall be responsible for maintaining an efficient organization to aid him in carrying out these duties. As in the case of any other store executive, any changes in his organization must be approved by him whether such changes are initiated by the Management or by the Benefit Society. But final authority over all such changes shall be vested in the Board of Governors of the Society by a two-thirds vote of that body.

b. The supervision of all health work done by the Clinic

shall be in the hands of the Board of Governors of the Benefit Society. Health records for purposes of insurance shall be kept strictly confidential—open only to the physician in charge of the Clinic or those of his staff or members of the Board responsible for the work with the individuals concerned. The physician in charge shall be responsible for seeing that a list of new employes not accepted for insurance is sent to the Employment Manager, and for conferring at his discretion with him as to the placement of individuals whose health indicates limitations as to the kind of work that they may be fitted to do.

At present the staff of the clinic consists of nine persons: two part-time physicians, two part-time dentists, a head nurse, an assistant nurse, two visiting nurses and a clerk.

According to the store policies it is the purpose of the clinic "to protect the health of the employes and the patrons as much as possible by preventive and hygienic work, to give first aid for severe sickness or injury of patrons or employes in the store and to treat minor injuries and sickness."

One of the first steps generally accepted as essential adequately to protect the health of employes is the physical examination.

It has long been the Filene policy to require certain groups of employes—kitchen workers, manicurists, barbers, elevator men and porters—to pass a physical examination on employment and to be re-examined monthly. Until very recently all others were exempt from either initial or periodic examinations. Since the Benefit Society has become partially responsible for administering the clinic, it has introduced a questionnaire[1]

[1] See p. 475.

which, though not a substitute for a physical examination, may be said to be a step toward it. This questionnaire is used by the nurses in the clinic as a basis for interviewing every new employe as a prospective member of the Benefit Society. Any such employe, at the direction of the clinic, may be required to have a physical examination under the supervision of the head physician in order to determine his status as a risk for insurance.

During the many years that the Management operated the clinic, it defended its failure to require physical examinations by stating that the Filene Co-operative Association would not tolerate them. Notwithstanding its policy, two members of the Management, Mr. E. A. Filene and Mr. Frost, have long advocated the institution of physical examinations. A bulletin written as early as November 14, 1911, by Mr. Frost to the Board of Managers, calls attention to a case of tuberculosis in the alteration department. "It seems clear," states the bulletin, "that the man must have had the disease when he came to us. I think we should take steps immediately to prevent a recurrence of similar circumstances by instituting compulsory examination for all new employes."

This was followed by another bulletin, dated December 5, 1911. It reads:

> I recommend that we ask the Filene Co-operative Association through its Council whether in its opinion it would not be desirable for it to request the Management to require medical examinations of employes to protect us against contagious or infectious diseases. I wrote Dr. ——— [medical director of the clinic] in regard to the matter and quote his reply.

"1. Any illness that is really a menace to the other employes should be apparent to the unprofessional eye of the Employment Office and this should be a sufficient safeguard.

"2. Such an examination is a serious interference with personal liberty and is therefore contrary to American principles and to the ideas upon which the F. C. A. is founded.

"3. Such a requirement would keep away as applicants many of the best sort, not because they are sick but because of inherent sense of self-respect and personal privacy.

"All this I should believe even if every corporation in the country adopted the proposed system."

We have been unable to find any record of action taken by the Board of Managers in reply to this bulletin. As for the reasoning of the medical director of the clinic, it seems to us unconvincing. His first point is most certainly open to dispute.

Nor is the second point free from fallacy. Contagious disease endangers the lives of those who are exposed to it. Society therefore must protect itself against it. The physical examination is one of the means of insuring protection. Moreover, the physical requirements of occupations vary considerably. It is quite as much a protection to the individual worker that he be placed in a position for which he is physically fit, as it is to his employer and the store at large. Nor is physical fitness as a factor in the placement of workers so very different from intellectual fitness. Both are important considerations. Yet the determination of mental ability through documentary evidence, such as school diplomas and certificates or even through oral or written pre-employment examinations, raises no great storm of protest or charge that the examinations constitute "a serious interference with personal liberty."

Point three is also subject to challenge. Several retail stores and various other organizations which require the physical examination of new employes testify that this requirement has made no noticeable difference in the number of applicants "of the best sort." These, it is claimed, hesitate least to take a physical examination.

That the Filene Co-operative Association was opposed to physical examinations during the years when the clinic was under the authority of the Management was unanimously agreed to by members interviewed on the subject. The only record, however, that we could find of such opposition was a vote of the Council against the institution of the questionnaire advocated by the Benefit Society for use with all new applicants for membership. The Council vetoed the idea on the ground that it approached too closely to a physical examination. Subsequently, however, the Council approved a revised form of this questionnaire, which, as already stated, is now in operation.

During the first five years of its existence the Society paid no benefits, it will be recalled, for absences of less than seven working days. For many of these absences the Management paid wages through its systems of "D.D.'s." When, in August, 1926, the Society decided to relieve the Management of this burden by paying for absences of less duration, it found itself confronted with several problems. Chief of these was the method of determining the status of prospective members. This was necessary in order to bar bad risks and also to establish a foundation for health work. Was not the physical examination the only method which would give accurate findings?

To answer this question Dr. Wade Wright, specialist in industrial hygiene on the staff of the Metropolitan Life Insurance Company, was consulted. He doubted the efficacy of the usual type of examination used in selecting applicants as a basis for preventive work. Only an exceedingly thorough examination, he believed, could be relied upon for this purpose. The cost of it was large. Just how much preventive work, he asked, did the Society wish to do? This was one of the first matters to be settled. And this the Society decided to waive for the present. Meanwhile it has instituted a questionnaire, already referred to, and has arranged with certain medical specialists for the examination and treatment of such of its members as the medical director of the clinic may refer to them.

With the administration of its insurance fund by the Benefit Society, the Filene Co-operative Association has been very well satisfied. Occasionally members have protested against this or that regulation or decision affecting them. These protests have been considered by the board of governors of the Society and in some instances have resulted in adjustments. On the whole, however, the membership has been disposed to trust the judgment of those whom it has elected to office. The Management also has voiced its appreciation of the conduct of the Benefit Society. Its activities represent a very real service to the business.

SAVINGS AND LOANS

A second service instituted and carried on by the Filene Co-operative Association for the benefit of its members is the promotion of thrift and the provision of loans at a reasonable rate of interest. Both of these

functions, it is held, aid in the development of a stable and efficient personnel. Acceptance by the Filene Co-operative Association of responsibility for their administration relieves the company of it and offers the membership additional opportunity for self-direction.

Thrift is promoted and loans made possible through a Credit Union. Although it dates, as such, only from 1921, it had its beginnings over twenty-five years ago in the right rear pocket of the store superintendent's trousers. The depositors were a number of employes who brought their savings to him for safe-keeping. Soon the deposits amounted to $1,200. At this juncture the president of the corporation suggested that the funds be turned over to the firm, which would pay 5 per cent interest on them to depositors, with a guarantee against loss. The suggestion was put into effect in the form of a savings fund of the Filene Co-operative Association. The store superintendent became its first president.

During the year 1908 the attention of the Association was called to the fact that several of its members had fallen into the hands of loan sharks through the necessity of raising small sums of money. As a protection against this evil, a loan service was inaugurated in connection with the bank. Again the firm agreed to make good all losses on bank loans. Finally in 1921, to be in accord with state banking laws, the Deposit and Loan Bureau, as the savings fund was then called, was changed into a Credit Union.

The Credit Union of the Filene Co-operative Association is an incorporated body made up of members of the Association who are shareholders. To become a shareholder requires the payment of an entrance fee of

one cent and the purchase of at least one share of stock, the cost of which is $5.00.

Shareholders conduct the business and affairs of the Union through a board of 12 directors whom they elect annually. These directors choose, from their own number, a president, a vice-president, a treasurer, a clerk, a credit committee and an auditing committee. It is the function of the credit committee, which consists of three members, to inquire into the making of loans. The auditing committee, which also consists of three members, inspects from time to time the securities, cash and accounts of the Union and generally supervises the acts of the directors, officers and credit committee.

On October 31, 1926, the total number of shareholders was 1,687, or 57 per cent of the regular employes.[1] The total assets amounted to $221,879.25. Five hundred and seventy-seven loans, amounting to $63,269.15, were outstanding. The guaranty fund, to which, according to law, 10 per cent of the annual gross earnings must be contributed, was $1,945.07; and the undivided profits, $722.79. The total receipts for the year amounted to $396,657.53.

Five per cent interest is paid by the Union on deposits made by its members. The annual rates charged for loans are as follows: for amounts less than $100, 12 per cent; for amounts from $100 to $200, 8 per cent; and for amounts more than $200, 6 per cent. At present any surplus remaining after the loans to members is invested in securities legal for Massachusetts savings banks. During the war considerable of the surplus was invested in Liberty Bonds.

As a substitute for the old Christmas and vacation

[1] As of October 2, 1926. See p. 91.

savings clubs, which were dissolved in accordance with a ruling of the state bank commissioner, a systematic savings scheme has been adopted. Passbooks containing coupons of various denominations, 50 cents, $1.00, $2.00, $5.00, as well as books with blank coupons, are issued to shareholders. These are torn out, signed by the shareholder and deposited with the amount of the coupon. On October 31, 1926, 517 employes were enrolled as systematic savers.

As with the Benefit Society, the Credit Union has selected officers and committee chairmen of demonstrated executive ability and has tended to re-elect them annually. While this policy makes for a safe and progressive administration, it limits the opportunity of the membership for the type of experience gained by officers and committee members in conducting the affairs of the Union.

In its control the Credit Union exemplifies the essential principle of consumers' co-operation as formulated by the Rochdale pioneers. Each shareholder has one vote, irrespective of the number of his shares. Outside of the officers and committee members, however, few of the shareholders in the Credit Union of the Filene Co-operative Association have exercised their voting power. To get a quorum at meetings has been a most difficult task.

FOOD AND CLUBROOMS

The needs of Filene employes for good food at their noon meal, served quickly and inexpensively, and for quarters in which to rest and refresh themselves may be presumed to have a direct bearing on their daily work. These needs are now met by two restaurants, one in the

main store in Boston, the other in the service building in Cambridge, and by clubrooms in both buildings, all managed by the Filene Co-operative Association.

In the 80's and 90's, when working days were long, luncheon hours short and restaurants comparatively few, the Filene Management provided soup free to its employes to supplement the luncheons which most of them brought from home. Many employes, it is stated, wished to cook food for themselves. Two of the girls asked if they might have a gas stove for this purpose. The firm bought the stove. Soon the employes hired a woman to do the cooking and wash the dishes. From this beginning the present restaurants and clubrooms have grown. They are under the jurisdiction of what is known as the Club House Committee. This consists of four members, elected annually from the store at large together with a chairman appointed by the president of the Association.

The difficulties encountered by the Association in securing sound management of its restaurants through an elected committee and at the same time a service satisfactory to the large majority of its members have been great. They could only be solved, it was agreed, by getting as the chairman of the committee a thoroughly competent executive. It was for this reason that the chairmanship of the Club House Committee became appointive rather than elective. The present chairman is manager of the public restaurant and president of the Filene Co-operative Association, as well as head of the Retail Research Association Department and assistant to the general manager.

In the several years during which the chairmanship has been an appointive office, the restaurants have be-

come very much more efficient. New standards of purity of food and cleanliness have been established, and they have been scrupulously maintained.

Though the same manager is responsible for the public restaurant of the store and the two restaurants of the Filene Co-operative Association, the latter are operated independently of the former. Food is served from 8:30 a.m. to 7 p.m., and special suppers are prepared for club and other meetings in the evening.

The space which the restaurants and the rest of the quarters of the Association occupy is donated by the firm. This exemption from rent and any desire to make a profit outside of providing a safe reserve fund renders it possible to serve food at much below market rates.

For the year ending January 31, 1926, the restaurants of the Association served 640,397 meals, including separate orders of only coffee, tea and sodas. The income of the Boston restaurant was $125,545.92 and that of the Cambridge restaurant $7,483.20. In addition, $3,496.95 was received from the Management to cover the cost of special suppers served to the three clubs and other groups. The net profit for the year amounted to $329.99.

The chairman of the Club House Committee states that in his visits with A. Lincoln Filene to the large stores throughout this country, England, France and elsewhere he has seen no restaurants for employes so well patronized as those of the Filene Co-operative Association. This patronage he attributed to the fact that employes are interested in a service for which they are responsible and which they control.

Criticisms of the management of the restaurants and clubrooms, and suggestions relating to it, are made

quite frequently by members of the Association, either directly to the Club House Committee or through the Council. These are duly considered by the committee and such action as seems advisable is taken. For the most part, however, the work of the committee is done by its chairman.

COURSES OF INSTRUCTION

From the very beginning of the Filene Co-operative Association, its educational function has received organized emphasis through the existence of an Educational Committee. According to the by-laws its duty is "to advance the general education of the F. C. A. members in every way possible by the forming of classes and by the issuing of printed matter." If the word "general" means cultural rather than vocational education, the work of the committee has not altogether borne out this distinction.

As early as 1889 the Association held meetings every Friday after the store closed, at which some well-known person spoke. The speakers during 1898–1899 were the following: Louis D. Brandeis, Charles W. Eliot, Edward Everett Hale, Thomas W. Higginson, William James, John D. Long, Hugo Münsterberg, Lincoln Steffens, Charles Zueblin and others of distinction. It is probable that the Educational Committee was formed to provide speakers and make other necessary arrangements in connection with these meetings.

Informally ascertaining the educational needs and desires of the members of the Association, the Educational Committee up to 1920 carried on a variety of classes and lectures. In 1920, however, under the chairmanship of the secretary to the general manager, her-

self a college graduate and with some experience in educational administration, the committee inaugurated methods of determining what classes should be established. These have been followed quite consistently ever since.

First of all, the committee issued a referendum. On the basis of the results it determined what courses to offer during that year and forthwith organized them. Also it collected catalogs and information concerning evening schools in Boston and printed a schedule of courses in the Echo. Furthermore, to many members of the Association it gave advice and help regarding their studies.

A conviction that the Educational Committee was duplicating the function of the Training Department led the chairman of the Committee in 1924 to recommend its discontinuance. He stated:

> After one year's experience as chairman of this committee, the writer very seriously doubts the desirability of continuing it. The Training Department is best qualified in all respects to advise any members seeking outside instruction and, it is submitted, should do so as a part of their work. . . . It is not apparent that the Educational Committee of the F. C. A. has a job to do, and it is suggested that it be discontinued.

The recommendation was not accepted by the Council. But almost immediately cognizance was taken of the condition which gave rise to it by the appointment of a member of the Training Department as chairman of the Committee for the ensuing year.

Recently, in conjunction with the Training Department and the Retail Trade Board of the Boston Chamber of Commerce, the Association has been offering a

program of night courses, not available in existing institutions in the city. Expert instructors are provided at a very low cost of tuition. Courses are held once a week, usually from 6:30 p.m. to 7:30 p.m. The first semester dates from late September or early October to just before Thanksgiving. The second semester begins in January.

The courses in the program offered by the Educational Committee of the Filene Co-operative Association for the fall of 1926 were as follows:

1. Needlecraft
   6:30 p.m.–7:30 p.m. Mondays — Place of meeting: store
   Tuition $2.00 — Number of meetings: 6
2. Calisthenics
   Men's class, 11 a.m. or 12 m., Tuesdays and Fridays
   Women's class, 11:30 a.m. or 12:30 p.m., Tuesdays and Fridays
3. Health and beauty course
   6:30 p.m. to 7:30 p.m.
   Wednesdays — Place of meeting: store
   Tuition free — Number of meetings: 6
4. Book Club
   6:30 p.m. Wednesdays — Place of meeting: store
   Tuition $1.50 (covers lectures and use of books) — Number of meetings: 3
5. Ukulele
   Time to be arranged — Place of meeting: store
   Tuition $2.00 — Number of meetings: 8
6. Mandolin
   Time to be arranged — Place of meeting: store
   Tuition $2.00 — Number of meetings: 8
7. Choral Club
   5 p.m. to 6 p.m., nights to be arranged — Place of meeting: store
   Tuition free — Number of meetings: one a week

8. Noon meetings
   Twice a month, 12:30 p.m. to 1 p.m.
   "As interesting and as important persons as the committee can procure." Open to all employes.

A member of the committee stated:

More and more, members of the Association are becoming interested in courses which relate to their store work. This means an increasing registration in the courses offered co-operatively by the Training Department and the Retail Trade Board of the Boston Chamber of Commerce, and a decreasing responsibility on the part of the Association for providing this kind of instruction.

BOOKS AND PERIODICALS

Further responsibility for educating its members about many problems connected with their work as well as culturally has been assumed by the Filene Co-operative Association through the maintenance of a library. From a few books contributed in 1899 by the Filenes and various employes and kept at the time-desk in the old store, the number of volumes has increased to 1,500 and a large variety of current periodicals. In 1926 a librarian was employed for full-time service.

All books are circulated without charge, except new popular fiction. For this there is a fee of three cents a day for the first week, and four cents for each day thereafter.

Supervision of the library is delegated to a Library Committee made up of four members. In co-operation with the Educational Committee, the Library Committee has organized a book club divided into groups of eight members. Each member of the group pays $1.50 a year for the privilege of one book a week in a particular

selection for eight weeks and three evening lectures by outside authorities.

While various committees in charge of the library have made an effort in one way or another to stimulate the reading of books, any consistent, organized plans have been lacking. In the absence of a trained librarian the service was desultory. Now that such a librarian has been employed, the library should become a more significant factor in the education and recreation of members of the Association. It may even encroach upon the function of the reference library of the store in anticipating the needs of executives and specialists for particular kinds of information.

STORE NEWS

Another medium for educating employes, particularly for informing them of what is happening in the store, adopted by the Filene Co-operative Association, is the small weekly news bulletin, already alluded to, called the Echo. It was first published in 1902. Copies sell for two cents. The receipts, however, from sales and advertising are not sufficient to defray the expense of publication. To meet this, the company makes an annual contribution of some $500.

A committee of five members is responsible for the management of the Echo. The actual editing, however, is done by a member of the Advertising Department who works part time for the Association. Beyond a fair-sized subscription, the membership of the Association has evinced practically no interest in the conduct of the bulletin. Nor, apparently, has the committee in charge given it enough thought to have made it in any way outstanding.

MUSIC

For those of its members who have musical ability the Filene Co-operative Association offers an opportunity for training and public performance through a band, an orchestra and a choral club.

Between 40 and 50 members, most of whom have developed their musical ability while in the employ of the store, make up the band of the Association. It was formed in 1917 and it participated publicly in many war-time rallies and parades. For some years it has given morning concerts on the balcony of the street floor. Also, on numerous occasions it has played at events held by the Association, at luncheons of the Boston Chamber of Commerce and in connection with other events of commercial and civic interest.

For attendance at rehearsals and for playing at morning concerts the members of the band, all of whom belong to the union, receive $10 extra a month.

The orchestra of 12 pieces is of recent origin. On Saturday mornings it gives a concert in place of the band. For several years during the Christmas season carols have been sung on the balcony of the street floor at the opening of the store. Those selected and trained to do this singing are sometimes referred to as the choral club of the Association.

The band, orchestra and choral club afford employes an opportunity for pursuing an avocation and for perfecting their technique in it. And the resulting satisfaction undoubtedly reflects itself in their goodwill toward the store. Nor is their performance without further advantage to the Management. The morning concerts are a source of enjoyment to customers and,

it is said, create in them a pleasant feeling toward the store. Also they are reported to be an effective antidote for the early morning indifference to work of some employes.

RECREATION

To make it possible for its members to obtain recreation at the least expense of time, effort and money, and simultaneously to foster among them an esprit de corps, the Association has provided for athletics and has organized clubs.

During 1926 a baseball team, a men's and a girls' bowling team and a girls' basketball team were maintained. Swimming events also were held. These and all other athletics are in charge of a committee of five members appointed by the president of the Association.

Much more popular than athletics are the entertainments offered by the clubs of the Association. Of these clubs there are three: the men's, the women's and the girls.' Their purpose, organization and programs are in the main alike. They differ only in details. Although in the origin of the clubs the emphasis may have been educational, it has come to be distinctly recreational. Not that education and recreation are mutually exclusive, but the spread between them may be small or great. And in the clubs it has become increasingly great. The Girls' Club, begun in 1906, the first, it is said, to organize formally, developed out of the need for instruction in personal hygiene. The Women's Club was an offshoot of the Girls' Club. It was initiated by a group of young women who had outgrown the latter. Likewise the Men's Club seems to have evolved out of a Boys' Club, long since defunct.

It is the stated purpose of the Women's Club "to provide for the women of the store an opportunity for an exchange of ideas through social intercourse and to promote individual efficiency and group spirit" and "to establish the spirit of co-operation among the women employes." Substantially, the purpose of the other two clubs is similar.

Each of the clubs has a president, a vice-president, a secretary and a treasurer, elected annually by its membership. Also the Men's Club has an elective governing board of five members. Corresponding somewhat to this, but appointive rather than elective, are the Entertainment Committees of the Women's and the Girls' Clubs. In addition, the Association's counselor for women and girls acts as adviser to both the Women's and the Girls' Clubs, and the counselor for men and boys as adviser to the Men's Club.

From October to May meetings are held monthly, usually in the restaurant of the Association. Dinner is served at 6 p.m. Following this, the president makes any announcements that are to come before the club and proceeds with the program of the evening. Usually one member of the Management, or more, and other chief executives are present as guests of the clubs at each of their meetings. Usually, also, they are called upon for a speech.

An annual registration fee of 50 cents is charged by both the Women's and the Girls' Clubs, entitling purchasers to dinner tickets at 25 cents per meeting. Those not registered pay more. Sixty cents for every member attending each meeting is subscribed by the firm to defray the cost of dinners.

The Men's Club charges the same registration fee as

the other two clubs. The funds thus collected enable each club to finance its entertainments. Frequently the speakers or artists have to be paid for, though often they give their services. Decorations and various extras constitute other items of expense. Out of any possible surplus the clubs make donations of money, sometimes to further certain functions of the Association, such as the library; sometimes to outside causes, such as the Christmas drive of the American Legion, the Thanksgiving basket fund of the Boston American and so on.

The members of the clubs give up one evening a month or nine evenings a year to their meetings. This time, it is argued, is something of a sacrifice to those who have household and other pressing tasks to do, or evening courses to attend. More time and energy are spent on club matters by officers and committees than by other members, but they frequently meet during luncheon or store hours. Exclusive of the initiation fee of 50 cents, $2.25 covers for each member the cost of attendance at all meetings in a year.

In return for their expenditure of time, money and effort, what do the members of the clubs get? First of all, they get a good dinner, one that is nutritious and palatable. In the second place, they get an evening's diversion. While some of the items in the various programs may stimulate thinking or lead to character-building or make for better performance on the job, such effects are by-products. The immediate purpose of the clubs is wholesome entertainment. For the large majority of the membership it is passive entertainment. Criticism, of course, can always be made of any particular program or its execution. The levels of both vary considerably.

Though attendance at club meetings is decreasing, it is still sufficiently large to indicate that the members enjoy them. This enjoyment consists not only in the entertainment afforded by those who assist, but in the pleasure one finds in being in a familiar and informal place, in the company of those with whom he has so important a thing in common as work.

For those employes who administer the clubs, there is the additional satisfaction of planning programs and "putting them over." This activity not only gives them training and experience of a kind, but it provides an avenue for bringing them to the attention of the chief executives of the business. These benefits are shared by the members who participate in the programs.

For the year ending January 31, 1927, dinners for the various clubs cost the firm $3,309. What it gets back is not easily measurable. Interviews with members of the Management, the staff of the Association and executives of the store on the value of the clubs brought forth such expressions as "group consciousness," "solidarity," "F. C. A. spirit," "goodwill"; "they make Filene's a more desirable place to work in"; "they create a homelike feeling"; "they induce loyalty." These concepts are large and vague. They do, however, represent an indefinable something which is desirable. That the clubs are a factor in preventing turnover of labor or in producing a state of mind that makes for greater efficiency, it is impossible to state. They are but one of a number of factors which enter into such a result.

Perhaps a more tangible value of the clubs is the medium they afford the Management for demonstrating leadership among its employes and for making itself

understood regarding innovations or changes in the conduct of the business.

STAFF SERVICES

Several more or less personal services, designed to promote the welfare of the members of the Association, have been organized and are performed directly by its staff rather than by committees. These services consist of legal aid given by the executive secretary in cooperation with the Legal Aid Society, the purchase of coal at reduced rates, the rental of umbrellas, the substitution of a bank check for cash, information about housing and recreation resorts, the purchase of theater and concert tickets at reduced rates, the rental of games for use in the clubrooms of the Association, the provision of writing materials for use in the library and the services of a manicurist at a reasonable charge.

PENSIONS

At the end of the period covered by this study, that is, January 31, 1927, a committee of the Association was engrossed in the preparation of a pension plan. The problems confronting the Benefit Society and those revealed by the Committee on Payment for Absences made imperative some provision for pensions.

For a number of years the subject of pensions had been discussed by the Council of the Association, the Management and the directorate. But always prior to 1926 the discussion had ended in a decision to lay the matter on the table. In particular instances, however, the Management has awarded a weekly stipend to employes long in its service who have become incapacitated for work. Also, on the expiration of an employe's fifth,

tenth and any additional fifth year of service, the Management has sent him a gift accompanied by a letter. The value of the gift has varied with the employe's length of service and his position.

PURPOSES AND ACHIEVEMENT OF WELFARE WORK

In reviewing the foregoing activities of the Filene Co-operative Association for the welfare of its members, question arises as to the extent to which it is desirable to carry them on. In a measure, the purposes they serve are an answer to this question.

A twofold purpose, it seems to us, underlies the welfare work of the Filene Co-operative Association. The first and foremost is to obtain certain direct services or benefits; second, as a by-product thereof, to provide an opportunity for self-direction, to promote esprit de corps and generally to develop and foster those conditions and qualities which may improve the productivity of employes. If the Filene Co-operative Association, therefore, needs a particular service and desires to take responsibility either alone or in co-operation with the Management for carrying it on, the feasibility of the Association's doing so should first be considered. Perhaps this service is already available in the community. If, however, the Association can gain certain advantages in the way of economy, comfort or some other direct satisfaction, from establishing its own machinery, it would seem justified in taking this step.

The services made possible through the Benefit Society, Credit Union, Club House Committee, library and office staff of the Association undoubtedly carry with them a saving in money, time or effort, or make possible certain conveniences and satisfactions not to be

obtained in any comparable services that may exist in the community. The Echo fills a need for information, inherent in an organization of about 3,000 employes. As to the work of the Educational Committee, it is generally acknowledged that the short talks by well-known speakers which it has provided at meetings have had their educational and inspirational value. Moreover, some of the courses of instruction which it has offered would not otherwise have been available for the employes who have enrolled in them. Other courses, however, could have been better provided outside the store perhaps by established educational institutions in the community.

The musical organizations afford training and opportunity for public performance. Further, the athletic teams make possible group exercise and recreation which might not be so easily and happily obtained elsewhere. Of all the welfare work of the Association, the most to be questioned is the clubs. But on the whole, the attendance would seem to indicate that their objective, that of providing an evening's entertainment, is achieved.

All the foregoing activities have a primary function to perform. But in addition, they afford a certain percentage of the membership of the Association training in self-direction and leadership.

According to interviews, the committee work entailed in the welfare activities of the Association has broadened the knowledge of participants. They have learned from one another. Often, it was stated, the discharge of their responsibilities required them to make investigations which added to their stock of information. Then, too, they had to think through their prob-

lems and make decisions about them. These processes were enlivening and made for the development of their faculties. Furthermore, it was argued, committee work taught those engaged in it to work together for a common object, to develop a technique of co-operation. This was regarded as a requirement for leadership.

The particular services, then, available through the welfare work of the Association and the advantages derived from participation in their management might reasonably be expected to result in goodwill and esprit de corps and perhaps favorably to affect the store work of employes. Moreover, in instituting and operating these services, the Filene Co-operative Association has shared in the management of the business and has relieved its major executives of a considerable burden of responsibility.

CHAPTER X

SUGGESTIONS AND SALES PROMOTION

UP TO this point, discussion of the Filene Co-operative Association's exercise of its legislative and executive powers has been limited entirely to problems of personnel. To what extent it has taken advantage of these powers to participate in other functions of management is shown by the work of the Suggestion Committee and the committees on sales promotion.

SUGGESTIONS

It has long been the belief of the Filenes that in their employes lay a valuable source of ideas for improving the operation of the store. To provide some systematic means of tapping this source or, better, perhaps, to provide an outlet for it, a Suggestion Committee of the Filene Co-operative Association was established as long ago as 1899. It has persisted to date.

Up to 1922 the Suggestion Committee functioned very modestly. Naturally its receipt of suggestions varied with the size and vision of the store's personnel. Many of them were made by members of the rank and file and naturally had to do with matters which came within the range and routine of their own immediate jobs. Some related to service to customers; others, to the employes' own welfare. Many were adopted and the authors awarded small payments in cash. Few, however, were of large significance; they lacked creative merit.

The importance, however, of eliciting suggestions from the total personnel of the store, of making proper awards for them and of putting those deemed advisable into effect, led the Operating Committee, late in 1921, to consider appropriating these functions to itself. It voted that the work

> which has been done in a more or less efficient manner by the F. C. A. Suggestion Committee be hereafter the function of the Operating Committee working through the Research and Planning Department and that it be the duty of the Operating Committee to stimulate, act on and give proper rewards for improvements in any part of the store service.

In a subsequent vote the Operating Committee stated that it did not wish to dictate to the Filene Co-operative Association. It implied, however, that the responsibility of the Suggestion Committee should be confined to the stimulation of suggestions and that the rest of the work in connection with them should be done by the Research and Planning Department. This vote was vetoed by the Management. Apparently it still believed in the Association's potentiality for suggestions.

Anxious for some "big new idea," the Management in 1922, in celebration of the tenth anniversary of the opening of the main store building, decided to test out the Association by offering it $25,000 in prizes. A first prize of $15,000 was to be awarded for an idea "as valuable as the bargain basement idea" and 19 other prizes, totaling $10,000, for suggestions considered worth a trial in the business. The contest was managed by the Suggestion Committee, but awards were made by the Management. It was stipulated in the conditions governing the contest that "the Management makes no

contract to award all or any of the prizes offered, as it cannot be sure that the one big new idea will eventually come out of the contest. Awards will be made only for suggestions deemed valuable."

The contest lasted from June 5 to July 21, 1922. During the week of September 8, $6,920 in cash was paid for suggestions. The largest award was $2,500; the smallest, $10. Two awards of $1,000 each were made, one of $500, six of $250, one of $100. The remaining were of $10.

Of the major suggestions receiving substantial awards only one was pointed out as having been put into effect. This was the idea for a Bureau of Standards. Though it has departed considerably from the suggestion responsible for it, the Bureau has already proved itself a great asset to the business. A brief statement of its development may be pertinent here.

In attempting to evolve some standards for testing merchandise, the person appointed to take charge of the new Bureau of Standards first analyzed the merchandise returned by customers. In the majority of instances, the reason for its return was failure to fit. Accordingly an examination was made of the measurements of one or two types of women's garments. Those of one size bought from one manufacturer varied in measurements from those of the same size bought from another manufacturer. Nor did any of the measurements of a garment of a particular size, of a dress sized 38, for example, take cognizance of the variations in the figures of the women for whom the size was designed. To the manufacturer, apparently, all women whose bust measurement was 38 inches were built exactly alike.

These discoveries led the Bureau to make an investigation of the patterns used by manufacturers in the cutting of their garments. Finally a pattern maker was found who could make correct patterns not only for the normal figure but for variations from it. Some of the patterns for the latter were given to a dress manufacturer with the request that he make up orders cut according to these patterns. The sale of these dresses has surpassed all expectation.

When garments for which the Bureau has developed standard measurements are now received in the Filene receiving room, members of the staff of the Bureau try them on figures exemplifying these measurements, or in some other way verify them. Furthermore, progress has been made in getting other stores to adopt them as standard.

Ideas equally valuable as that for the Bureau of Standards, if not more so, it was stated, were submitted in the One Big New Idea contest. The reason given for failure to put them into effect was the increasing conservatism of the Management. Nor in this particular instance, it was argued, could the Operating Committee counteract this conservatism, since its own members had made a number of the most valuable suggestions. Executives and specialists were reported to have been the authors of practically all of the more significant ideas entered in the contest.

The desirability of getting employes to make their suggestions to their immediate executives, rather than to a suggestion committee, was emphasized by the chairman of the committee in her report to the Council for the year 1923–1924. She said:

I believe that it is a much more worth-while method to labor with our executives to encourage their subordinates to voice whatever ideas they have for the better running of their own departments or others. Thus the feeling that new ideas have a cordial reception awaiting them would be developed in the organization, much more than at present. Furthermore, the idea that it is an individual's responsibility to suggest those things which make for the better running of the business would be emphasized.

Reasons, however, exist why an employe who has ideas for improving the business, in either his own or some other department, may not find it feasible to make suggestions to his immediate superior. Accordingly, the recommendation implied in the foregoing report for the abolition of the Suggestion Committee was not accepted by the Council of the Filene Co-operative Association. The committee has continued to function. Some of the more recent suggestions which have received awards are listed below:

1. Provision for a guide line on all stationery of the mail order department. $5.00
2. Issuance by the jewelry department of cards for sizes of rings. 5.00
3. Draft of a special form for instruction as to shipping in order to facilitate deliveries in the men's shoe department. 5.00
4. Provision of wooden cases for the hosiery department. 5.00
5. Substitution of 25-watt lamps in place of 60-watt lamps in stock cases, and the installation of individual switches. (This change would not only reduce the cost of electricity but would save the merchandise from excessive fading.) 5.00
6. Inquiry of customers by salespersons as to the most direct route to the destination of packages on which special deliveries were to be made. 5.00

7. Substitution of safety pins for straight pins at the counter displaying artificial flowers. $2.00
8. Provision of a mirror for the Bargain Square. 2.00
9. Statement of reasons why customers should show charge cards to be incorporated in Filene advertisements. 2.00
10. Provision of a shelf for telephone books on the street floor. 1.00
11. Provision of a sign at the entrance of the women's coat department. 1.00
12. Draft of a plan to secure the home addresses of employes so that they would be kept up to date. 1.00
13. Indication of the number of the floor on the back of doors in the Hawley Street elevator wells. 1.00
14. Provision of "Village Improvement Society" waste receptacles on roof during summer season. 1.00

SALES PROMOTION

The first instance of organized participation by the Association in sales promotion seems to have occurred in 1914. November 2 of this year was declared "F. C. A. Day" and the store for this one day was run by the Association. The idea of this procedure, however, did not originate with the Association but with the general manager. He passed it on to the Board of Directors, who approved it and voted for the appointment of a general committee and subcommittees to carry it out.

In December of the same year the Management offered to give the Association $10,000 for its treasury if the business during this month showed a 10 per cent increase at the same rate of profit and with the same expense rate as had prevailed in December, 1913. Although the Association made an attempt to promote business and get the required result, it failed to do so. In a letter addressed to it the general manager said

that he had objected to the idea in the beginning because not enough time was allowed to work it out, and that he feared very much the discouraging effects of failure. March, he thought, might be a good month for another such attempt.

In 1920 the Association initiated the first of its campaigns for more business during one of the summer months. This campaign was known as the August drive. It was an effort to secure 50 per cent more business than in the same month of the preceding year. The last day of the drive was called "F. C. A. Day." Not only did the sales for August reach the goal set for them, but they exceeded those of July. Such a result had not been achieved in years. "F. C. A. Day" proved to be the largest Tuesday's business in the month, including that of a Tuesday on which a stock-taking sale had taken place.

Another of these drives for "a whale of an increase" took place in July, 1924. The Management had already planned an increase in sales of 10 per cent for this month. The Filene Co-operative Association tried to make this increase 20 per cent. Although it did not achieve its goal, its efforts received commendation from the general manager in the form of a bulletin of appreciation.

"Save Yourself, Save Others" was the name of the campaign for early Christmas shopping carried on by the Association during the week ending December 4, 1926. But credit for the idea of the campaign and the initial planning of it must be given to the president of the Association, Harry R. Floyd, who is an executive of wide experience. The committee which he appointed to carry on the campaign consisted of the service super-

intendents of the main store, basement and men's store, the head of the delivery department, a member of the advertising staff, the head of the sales promotion department and the operator of the elevator used most by employes.

All members of the Association were urged to prepare their Christmas lists and to do their shopping during the week ending December 4, so as to be able to give their undivided attention to store service during the following three weeks. To this end they were allowed to shop at any hour during the day rather than at a specified period, as usual, and to use any elevator rather than those customarily reserved for them. Moreover, they were allowed to withdraw, on or before November 29, any Christmas savings they might have deposited in the Credit Union. Furthermore, every member of the Association was requested to bring to the attention of his or her friends and customers the advantages of shopping during the week specified. To make this possible, special typists were employed in the library of the Association to type personal letters from salespeople to their customers. Drivers on all delivery routes left personal cards with every customer upon whom they called, apprising them of the better selection of merchandise, the better service to be had and the greater comfort in shopping during this particular week. As another inducement to early shopping, charge purchases made on November 29 and 30 were deferred to the January statement.

Employes' purchases for the week of the campaign amounted to approximately $35,000, a large increase over the record of this week in previous years. The total volume of business done by the store during this

week was the largest of any corresponding week in its history.

Patently, then, the efforts of the Association to increase sales have been effective. Nor does the fact that they have been of short duration militate against them. The tension inherent in them forbids their being sustained over any protracted period.

In addition to the committees on suggestions and sales promotion the only other one appointed by the Filene Co-operative Association to concern itself with problems of management other than those directly related to personnel, seems to have been the Committee on Waste. It, however, failed to function.

CHAPTER XI

JOE DODGE, ELEVATOR OPERATOR, *versus* THE MANAGEMENT

COMPARABLE in scope to the legislative and executive powers of the Filene Co-operative Association are its judicial powers. Their exercise constitutes significant participation in the management of the business. These powers are administered by an Arbitration Board, analyzed in the two succeeding chapters. In order vividly to show how it operates, an appeal against discharge heard by it during the period of our investigation is here described.

Dodge[1] was discharged on Friday, January 6. The reason indicated on his leaving order was "insubordination." Almost instantaneously he appealed to the Arbitration Board.

The case was finally docketed for Monday, January 9, at 3:15 p.m. It was to be held in the Association's smoking room. There at the appointed hour the chairman and several members of the Arbitration Board were assembled. By 3:30 everybody was present: the Board; Dodge and his attorney, Mr. Crane, assistant executive secretary of the Association;[2] Mr. Lee, the

[1] The names of all persons referred to in this chapter are fictitious.

[2] The position of assistant executive secretary of the Association has since been abolished. It was one of his functions to act, in the absence of the executive secretary, as attorney for the appellant, if desired. The appellant has the privilege of choosing his own attorney, either from within or without the store.

employment manager and attorney for the Management; a stenographer; and one of the investigators, a privileged spectator.

THE JURY

The chairman of the Board sat behind one of the smoking tables, facing the semi-circle. He was a clean-cut, alert young New Englander in his early thirties, essentially sure of himself. Upon graduation from Amherst he had come to Filene's to start his business career. He had begun work there as an assistant floor superintendent at $12 a week. Then, after serving as a clerk in the merchandise office, as a merchandise clerk in three different departments and finally as an assistant buyer, he had become a full-fledged buyer in the women's outer garment division. In this capacity he had been employed for four years. His salary was over $8,000.

"How many members of the Board are here?" the chairman asked. "Hands up! One, two, four, six—ten—fourteen," he counted. "Two too many."[1]

"Is the member for Dodge's district here?"

Yes, Steve, the elevator repairman, was there.

The names, then, of all the members present, except Steve's, were put into a hat. Two were drawn out and read. The two members thus designated left.

Of the 12 who remained, eight were men. They occupied seats on the right side of the semi-circle, toward the rear. On the left side sat the four women. Now and then one member would make a remark to another, but always in subdued tones. There was no hilarity or humor.

[1] Twelve have been found to constitute a good working body.

Altogether the members of the group presented no extremes in age, appearance or manner. They were normal, none being super nor sub. One who was known as the "Bolshevist" of the Board tilted his chair, which threw into relief his thick-set frame, his florid face and dogged expression.

THE CASE STATED[1]

The chairman rapped on the table: "This is the case of Joe Dodge, elevator man, who was discharged Friday, January 6, for insubordination. Mr. Crane, will you begin, please?"

MR. CRANE: Mr. Dodge is an operator on the elevators. A few days ago he had a dispute with his chief, Mr. Rand, who is in charge of the elevator service. I believe Mr. Rand's action in making out a removal order for Mr. Dodge was based wholly on Mr. Dodge's behavior in this one instance. Mr. Dodge feels that the action taken was pretty hard and that the facts do not warrant his dismissal. He therefore appeals to the Board for consideration of his case.

CHAIRMAN: Mr. Lee, will you state the case for the Management?

MR. LEE: The facts of this case are practically as Mr. Crane has just stated. The dispute mentioned is the only instance which made it certain in Mr. Rand's mind that Mr. Dodge was insubordinate, and caused him to recommend his dismissal. However, we took into consideration several other things that have occurred in relation to Mr. Dodge.

[1] The case as presented in this chapter is not reported verbatim. The stenographic record was too long and too confusing to make such a reproduction feasible. Not only has the testimony been selected and summarized, but for the sake of clarity it has also been edited.

MR. CRANE: I object.

MR. LEE: I would like to call one witness with testimony bearing on one of those things.

MR. CRANE: I object to the introduction of previous facts, because the executive[1] under whom they happened is out of the store.

CHAIRMAN: This removal order merely says "insubordination." Anything which leads up to this particular fact will be admitted.

MR. LEE: Do you want me to proceed by calling my witnesses?

CHAIRMAN: Yes.

THE TESTIMONY

Mr. Lee went into the office of the Filene Co-operative Association and returned with Miss White, a salesperson in the neckwear department. He asked her to tell of an incident which had occurred between herself and Mr. Dodge.

Some time ago, Miss White stated, she was waiting on the fifth floor for an elevator. She wanted to go down. Dodge's car came up and stopped. When she did not get on, Dodge asked her if she were going down. She told him she was. He then went up to the seventh floor, but on his way back failed to stop for her. Coming up the second time, he again asked her if she were going down. When she finally got into the elevator on its return to the street floor, she took Dodge to task. An altercation ensued, in which Miss White claimed that Dodge told her to go to hell.

MR. CRANE: When you were called to the employ-

[1] At that time, Mr. Cutler.

ment office, Mr. Dodge, you denied having made the remark attributed to you?

MR. DODGE: Yes.

MR. CRANE: Miss White, you didn't tell Mr. Dodge at the time of the incident that he was a liar?

MISS WHITE: No, I didn't, because then I would have been as bad as he.

MR. CRANE: Miss White, Mr. Dodge didn't apologize to you?

MISS WHITE: Yes, he did apologize.

MR. CRANE: And you were willing to let bygones be bygones?

MISS WHITE: Yes.

MR. LEE: You were going up and he was going down?

MISS WHITE: I was waiting to go down.

MR. DODGE: I beg to differ; you were going up.

MISS WHITE: I was waiting to go *down*.

MR. DODGE: It was when I went down that I asked you which way you were going. You said you were going up.

MISS WHITE: I did not.

MR. CRANE: Is it your understanding that the young lady called you a liar?

MR. DODGE: It is. I had a witness who heard her. But I have since thrown away the paper on which he wrote his testimony.

MR. CRANE: Is the person in the store?

MR. DODGE: Yes, and although I am sure Miss White called me a liar, I myself didn't say she did.

MR. CRANE: You were willing to apologize?

MR. DODGE: Yes, but I don't think I told her to go to hell. At any rate, I told Mr. Cutler about the trouble right away. He took me off the elevator.

MR. LEE: Did you admit, when you were up in the employment office, that Miss White called you a liar?

MR. DODGE: No, I didn't. I saw that you were working to settle the case, and I didn't want to prolong it.

MR. LEE (picking up a sheet of typewritten paper from the table): You can object to this deposition if you wish to. Mr. Crane, this is what I read to you this morning.

MR. CRANE: I object. I do not think it should be submitted.

CHAIRMAN: No, it should not. Mr. Crane is right.

MR. LEE: Well, then, I'll call Mr. Rand.

Mr. Lee accompanied Miss White to the door and returned at once with Mr. Rand.

Mr. Rand was introduced as the present head of the elevator men and responsible for the dismissal of Mr. Dodge. On two different dates, he testified, Mr. Dodge had been insubordinate. The first was Thursday, December 29, when he, Rand, took charge of the elevators. At about 9:40 that morning Dodge asked Rand when he would get his morning relief period. Rand answered, "In fifteen minutes." Whereupon Dodge retorted, "Well, I am going to the seventh floor now."[1] Before Rand had a chance to say another word, Dodge closed the door of his car and started up. Rand watched the indicator move to seven. It had been there five minutes when he was called to the other end of the elevators to assist a customer. Exactly how much longer Dodge's car remained at the seventh floor, Rand could not tell. Although he regarded Dodge's behavior as insubordinate, being a new man himself he let it go by.

[1] The seventh floor is the "relief floor."

If Dodge had asked for an extra relief, he would have given it to him.

MR. DODGE: I deny the story of going up to the seventh floor. But the first day you were on the job, Mr. Rand, you sent me out at eleven o'clock. I usually go at twelve. You said that, being new, you hadn't straightened the thing out yet, did you not?

MR. RAND: I am talking about a morning relief, at 9:40, not a lunch relief. The incident to which I refer occurred on Thursday, December 29.

MR. DODGE: I would like to ask Mr. Rand just what day he recalls as his first day on the job.

MR. RAND: Thursday, December 29.

MR. Dodge: I didn't finish my story. I got only as far as my noon hour. I came back from lunch at twelve and didn't get a relief until 3:40.

MR. RAND: I would have to refer to my records for the schedule of the noon reliefs.

MR. DODGE: I told you some time after I had been back from lunch that it was necessary that I be relieved, and you said, "I will fix you up." I waited a while and asked again. Then you said, "I have you down for 3:40." I won't say whether it was you or Mr. Ames [assistant to Mr. Rand] who made this statement.

MR. RAND: If you are not positive of that fact, how can you be positive of the time?

MR. DODGE: I am positive about what I said. That is all that counts. And I said it to one of you two executives.

MR. LEE: You are very positive that what you related about Dodge's relief happened at 9:40 in the morning, Mr. Rand?

MR. RAND: Yes, the reason I know so well is that it was my first morning. I remember it distinctly.

MR. DODGE: I am going on with the story. At twenty minutes past three I asked again. Mr. Rand said, "I have you down for 3:40." "I cannot wait that long," I answered. "Can't you give me a man who will take my car now?" "No," replied Mr. Rand, "you cannot go until then." "I cannot wait any longer," I said. "I will have to go up to the seventh floor and shut my car down." Mr. Rand didn't say anything more. Silence, I think, can be taken for consent.

MR. CRANE: You asked for a relief and didn't get it when you felt you needed it.

MR. DODGE: Yes, that is it. I can remember when, in Mr. Cutler's time, I have shut the car down in order to get my relief.

MR. LEE: If this man goes into past history, I will insist on bringing in the evidence on the table.

CHAIRMAN: There is no objection except that the person who gave it to you is not here.

MR. CRANE: I object.

The second date, Mr. Rand stated, on which Dodge indicated that he did not take kindly to his (Rand's) being placed in charge of the elevator service occurred on Tuesday, January 3. Three times on this date, before the store opened, Dodge started his car without waiting for a signal. It was after he had done this the second time, at about 8:45, that Rand wished Dodge to take another employe up in his car. There was ample room for one more. Rand could vouch that there were but 18 or 19 in the car. The rule permitted 20. He had Dodge's signature to this very rule. But Dodge closed the door of his car and went up. When he came back

Rand told him not to start his car again until he, Rand, had given him the signal. Dodge replied that Rand didn't have everything to say about running that car; that he himself had something to say. Furthermore, he would go up, he said, when he wanted to if his car were loaded. Rand told him that that was enough from him.

Not knowing the procedure for discharging Dodge, Rand went to the employment office to find out. Later he returned there with a leaving order all made out for Dodge. Mr. Pratt, assistant employment manager, asked Rand if he would be willing to give Dodge a week on probation. Ordinarily, Rand said, he would. In this case, however, he felt that Dodge's behavior made dismissal imperative.

MR. DODGE: I never signed a rule to the effect that the car is started by the starter. When the car is full, your license permits you to close the door and keep everybody else out.

MR. CRANE: You have a license to operate?

MR. DODGE: Yes, and the law is posted in the elevator.

MR. CRANE: Mr. Rand, do you recall that Mr. Dodge made the statement in Mr. Lee's office that the car was crowded to capacity?

MR. RAND: No, I don't. But I can vouch that there were not over 18 people in it.

MR. DODGE: I counted 21 passengers myself. You do not count the operator because the inspector knows he has to be there. And there should be no more than 20 passengers. The rule says so.

MR. LEE: In one rule, I believe, the law is based on the weight carried in the car. I would like to know

whether the law says anything about the number of passengers or whether it allows for a certain weight.

MR. DODGE: The law allows 3,000 pounds.

MR. LEE: Well, then, if 20 passengers do not make 3,000 pounds there could be more than 20.

MR. DODGE: The law does not allow you to dispute weight. You and I have not the privilege to judge.

A MEMBER OF THE BOARD: I think it is important to know whether there were 18 passengers or 21 passengers on the elevator. Isn't there some way of proving?

CHAIRMAN: How many were there on the car, Mr. Dodge?

MR. DODGE: Twenty-one.

CHAIRMAN: How many do you say, Mr. Rand?

MR. RAND: Not over 18 or 19.

MR. LEE: You say that there was ample room for an extra passenger?

MR. RAND: Yes, I could have gone in myself without crowding the car.

MR. CRANE: Mr. Dodge, your action in closing the door of your car was based on the rule that no more than 20 are allowed in it?

MR. DODGE: Yes, I have to keep my license.

MR. LEE: May I ask you whether or not you count every passenger who goes into your car?

MR. DODGE: Yes.

MR. LEE: You are a wonder.

MR. DODGE: I count them as they go in.

MR. LEE: I will admit that I couldn't.

MR. DODGE: Then you would have no right to discharge a man on this rule.

MR. LEE: Mr. Rand is held responsible.

MR. DODGE: The commissioner of licenses will not look at it that way.

CHAIRMAN: Are there any more questions you would like to ask Mr. Rand?

MR. DODGE: I would like to ask a question of Mr. Rand. How do you know that every time you send up a car there are 20 people in it?

MR. RAND: How do *you* know?

MR. DODGE: I count them coming through the door, and I let you know by saying, "Well back in the car. One more, please."

MR. RAND: We all say that.

MR. DODGE: When I said to you that day, "One more, please," I started to close the door.

MR. CRANE: Mr. Dodge brings out the point that in his opinion he gave the cue to Mr. Rand that his car was full and then started it up. Mr. Rand probably didn't hear him. Mr. Dodge assumed that he was sent up by Mr. Rand because the car was filled to capacity.

MR. DODGE: There may be a possibility that Mr. Rand didn't hear me.

MR. LEE: Twice that same morning previous to this instance, Mr. Dodge, you closed your door and started up without the signal. Moreover, you have not denied that you said to Mr. Rand, "You haven't everything to say in the running of this car."

MR. DODGE: That happened when I came back and he called me down.

MR. LEE: What about the other times?

MR. DODGE: I cannot recall them. I absolutely cannot. I never remember starting the car when I knew that Mr. Rand was going to signal. There are

times when an operator has to turn his back to Mr. Rand in order to answer a customer. To give service you have to use your own judgment a little.

MR. LEE: Yes, maybe a little bit, but as long as you have a boss you have to listen to him.

MR. DODGE: I do not deny that.

MR. LEE: Did you say to Mr. Rand that you have something to say yourself about running your car?

MR. DODGE: No. But I *have* something to say about the inside of the car. I am held responsible for that. The rules say that the operator shall be responsible.

MR. LEE: Yes, and they say a lot more.

CHAIRMAN: Have you any other questions to ask Mr. Rand? He is the witness. Have you, Mr. Lee?

MR. LEE: No, you wouldn't permit me to read that deposition on the table.

MR. DODGE: I might ask you, Mr. Lee, if you don't recall the instance in the employment office when you asked me very frankly how many there were in the car. I answered, "Twenty-one," and Mr. Rand said, "You are right."

MR. LEE: No, I do not remember. Mr. Rand did not count the passengers. There might have been 21. I do not deny that. But there was plenty of room in the car or Mr. Rand wouldn't have attempted to have one more employe carried up.

MR. CRANE: There seems to be reasonable doubt between the witness and the defendant regarding the number in the car. I move that this evidence be stricken out because of the reasonable doubt.

MR. LEE: Then I cannot see where the instance of insubordination comes in if that can be stricken out. The point is whether or not Mr. Dodge refused to obey

orders. He says he did obey them and Mr. Rand says he did not.

MR. DODGE: I do not see that there is any way to determine this point. You cannot tell when the starter is going to start your car. You have to use your own judgment. I do not see why it should be considered insubordination for me to do so. I am just as liable to start the car, thinking that Mr. Rand sent me off, as he is to think that I shouldn't go.

MR. LEE: We have all had experience riding in elevators. I have never gone into a car which was started before the starter said "All right."

MR. DODGE: I have.

MR. CRANE: Do you recall, Mr. Lee, a conversation with Mr. Pratt[1] and Mr. Rand in which you asked Mr. Pratt how many times Mr. Dodge had been up before the employment office? And Mr. Pratt asked Mr. Rand if it would be possible for him to keep Mr. Dodge on another week?

MR. LEE: I object! The employment office was trying to do something for this man.

MR. CRANE: I am only trying to show that there was reasonable doubt about the number of times Mr. Dodge was called up before the employment office.

Immediately following this remark the chairman asked Mr. Crane to give his summary of the case. Then Mr. Lee gave his, interrupted by several objections from Mr. Crane. Ignoring the chairman's attempt to bring the case to a close, Dodge continued his own defense thus:

MR. DODGE: I think that Mr. Rand asked both Mr.

[1] Selector of male employes in the Employment Department and assistant to Mr. Lee.

Lee and Mr. Pratt how many times Mr. Cutler had gone up to the employment office to complain about me. I do not recall whether it was Mr. Lee or Mr. Pratt who answered, "Twice." But one of them answered it.

MR. LEE: Mr. Rand said, "I think the man has had sufficient chance. I do not propose to put him on probation. I do not think I am hard on any man."

MR. DODGE: I wish to state that Mr. Cutler had me up before the employment office once. And the other time I had Mr. Cutler up.

MR. LEE: Allow me to say this: The first time you were up was in connection with the Mallory case. The second time you came up yourself. Some man in the store accused you of saying something that you did not say. And the third time occurred when you stayed out of the store and Mr. Cutler brought you up.

MR. DODGE: I do not remember his bringing me up.

MR. LEE: He brought you up by telling us to take you off the job.

MR. CRANE: I can introduce some evidence on that point. Once Mr. Dodge was out ill and notified the time desk to that effect.

MR. DODGE: I telephoned in one Sunday night that I had suffered a slight accident and that I did not know how it would turn out. I had a black eye. I thought that I would cover myself by calling up. I said that I had to go to the doctor in the morning and that if I wasn't in on time Mr. Cutler could put a man on to cover my job.

On the following day, however, I came in because I was notified that Mr. Briggs, one of the elevator operators, had telephoned that he would be out sick. Mr. Briggs, though, came in the door just ahead of me. I

went on my car and had been working ten or fifteen minutes when Mr. Cutler came up to me and wanted to know who told me to go to work. "You shouldn't have started in until you heard from me," he said. "You can stand out on the floor and if I have a full crew you cannot work."

Then I went up to see Mrs. Goode[1] and told her the story. She was going to call Mr. Cutler up, but I asked her not to because to do so would make it hard for me. I told her that Mr. Cutler informed me that he had a full crew.

MR. CRANE: You worked only fifteen minutes that day?

MR. DODGE: Yes. Then I agreed to take the day off. Mrs. Goode said, "You notify Mr. Cutler that you will be in in the morning."

MR. LEE: Is that what you call bringing Mr. Cutler up before the office?

MR. DODGE: He said that if he didn't have a full crew I could go to work.

MR. LEE: He came up to the office and said that he was sick of being troubled with you—if not for one thing, then for another.

MR. DODGE: It was a comeback. I am just raising the question that I wasn't up before the employment office twice. Mr. Cutler may have brought me up once, but I brought him up the second time.

CHAIRMAN: Can this evidence be substantiated by Mr. Cutler?

MR. LEE: He is no longer in the store.

MR. DODGE: Anyway, I wasn't up twice. The

[1] Counselor for women and girls.

statement that I was had some bearing on making Mr. Rand believe that I had had sufficient chance.

MR. LEE: I shall have to tell Mr. Dodge a little about the employment office. If there had been only one offense against him, the employment office wouldn't have prompted Mr. Rand to put through a leaving order. We would have told him that this was the first time Mr. Dodge had been called up before the employment office for any offense. But Mr. Rand didn't ask how many times Mr. Dodge had been up before. He stated that Mr. Pratt had asked to have Mr. Dodge put on probation for another week. "But," Mr. Rand said, "this is the third time I have had trouble with Dodge. I think I have had enough of it." Mr. Rand didn't know about the Cutler incident until the leaving order was practically made out. I believe the Board should debate very seriously whether or not Mr. Dodge should be reconsidered for his place in the store.

MR. DODGE: Mr. Rand never made any statement to Mr. Pratt that I was insubordinate to him.

MR. CRANE: If there were two or three instances in which Mr. Cutler had trouble with Mr. Dodge, he did not consider them sufficient for discharging him.

MR. DODGE: Mr. Rand stated that he saw Mr. Dodge's central record [master] card.[1]

MR. LEE: There was nothing on his card about these instances. The card is there if you want to look at it.

CHAIRMAN: No, there is nothing on it about them.

MR. LEE: I do not think that the counsel for the appellant has any right to say what the employment office should consider. Everything is bound to be considered if we are to be fair. There might have been just

[1] See pp. 466–469.

as many good things as bad said about Dodge. If there had been, they would have been introduced in this case.

MR. DODGE: I wish to question you. Are there ever as many cases in which people come up and compliment a man for what he does as there are in which they come up and run him down?

At this point the chairman suggested to Mr. Lee that he submit the deposition to which he had referred.

MR. DODGE: I object.

CHAIRMAN: Mr. Lee has a right to introduce this evidence.

Mr. DODGE: Haven't we had cases here where evidence not bearing directly on the leaving order was not allowed to be introduced?

CHAIRMAN: Mr. Cutler is not available for cross-examination. The deposition can be submitted and if the appellant wishes to deny it, it goes out.

MR. LEE: This is a report of an experience with Mr. Dodge which occurred on December 21. It is signed by Miss Anne Brown, assistant head of the Training Department of this store. I am going to ask you, on your honor, whether or not the experience referred to happened, Mr. Dodge.

Mr. Lee then read as follows:

During the Christmas rush I rode up on an all-stop elevator operated by Mr. Dodge. When he reached the fourth floor Mr. Dodge stopped the car and opened the doors, closing them almost immediately. A woman in the back of the car said "Fourth floor" just as the car stopped. I was standing against the side of the car and saw that she was trying to push through the crowd. So when the doors began to close I said, "Someone wants to get off." Mr. Dodge said, "Turn around and face the door. I am running this car and I don't need

any help. If people want to get off they can use their tongue." I do not remember just what else he said, but he kept up remarks of the same kind from the fourth floor to the seventh, regardless of the fact that the car was crowded with customers. I did not answer, thinking that the customers had heard enough quarreling. The incident was reported to Mr. Cutler the day it happened.

ANNE BROWN
Training Department

MR. DODGE: I object on a 50-50 basis. Miss Brown had no right to come in and tell me how to run my car. She has nothing to do with the elevators. She may have said things about my line of work which she didn't understand. I may have said things in reply. It was a busy day and I had a lot of questions to answer. At the time the incident happened I believe I made a statement about it to Mr. Cutler so that he would know what the case was if it was referred to him.

I don't know whether I made the remark Miss Brown accuses me of or not; possibly I did. If anything occurred Mr. Cutler would have known of it. I am sure I told him that someone was trying to tell me how to run my car.

MR. LEE: One of the duties in this store is proper courtesy and service to customers.

MR. DODGE: When Miss Brown crosses me she isn't giving courtesy to me or the passengers. One passenger can dissatisfy a whole carful.

CHAIRMAN: Would you feel that a passenger was interfering with your running of the car if he told you that another passenger wanted to get off?

MR. DODGE: If I recall rightly, the car had started when the customer decided that she wanted to get off.

She thought I should go back. To do so would have meant bad service to the other customers.

CHAIRMAN: Is it possible for you to go back?

MR. DODGE: You wouldn't be giving the other customers any kind of service to take back one customer.

CHAIRMAN: You remember the incident, but not the conversation?

MR. LEE: Exactly what did you say to Miss Brown?

MR. DODGE: I couldn't be sure of anything I said with all the trouble I had. You do not know what a man was up against that day.

MR. LEE: You are perfectly right.

MR. DODGE: As I recall, the car was stopped and the customer had a chance to get off. I realize that I am being paid by the day and it doesn't make any difference to me whether I stop an hour or a minute at a floor. I think passengers get into the habit of calling out floors without knowing what they are saying. I do remember, though, telling Miss Brown to turn around and face the door.

MR. CRANE: You say that to everybody?

MR. DODGE: Yes. It is a safety rule.

CHAIRMAN: Are there any other questions?

There were no questions.

THE VERDICT

The trial was over. Mr. Dodge, the attorneys and the investigator left the smoking room.[1] The Board remained for its secret session. Outside in the office of the Association a little discussion and verbal betting took place between the attorneys. Then they returned

[1] Mr. Rand had departed after finishing his testimony.

to their duties. Dodge and the investigator waited for the verdict.

At the end of some twenty minutes, the chairman of the Board opened the door and walked straight over to Dodge:

A tight squeeze, old boy, but you are safe. Seven to five in favor of reinstatement. That is not all, though. Suspension for two weeks without pay.[1] Luck was with you and I certainly am glad. Now that you have another chance I hope you will behave yourself. Don't go back and crow over Rand. Two votes aren't enough to get excited over. Besides, Rand has been absolutely fair with you. He said if the Board reinstated you he would turn things over backwards to give you a square deal. But he isn't going to put up with any freshness. You will have to obey orders. This verdict doesn't give you any life-time lease on your job. For due cause Rand can discharge you tomorrow. I am just telling you this, Dodge, for your own good.

"I know," said Dodge. And none the less jubilant, he opened the door and hurried out. Turning to the stenographer who had taken the minutes of evidence, the chairman dictated the decision.

"What's the decision?" asked Mr. Lee, just up from his office on the floor below.

"Reinstated," replied the chairman, "but suspended for two weeks without pay. The vote was seven to five."[2]

"I expected it, was practically sure I had lost," said Lee. "Dodge was one of the best witnesses we have

[1] The period of suspension started January 9, the date of the Board's decision. Dodge received his wages from January 6, the date he was discharged, to January 9.

[2] The verdict of the Board to reinstate Dodge cannot be explained by any analysis of the voting of its individual members. This is a strictly confidential performance.

ever had. He could have won his case alone. I don't mean to discount your ability, Crane. But the fellow has brains. Too many to run an elevator. That's the trouble. If he had more education he would make a good lawyer. Sorry he won. The elevators would be better off without him."

"When he came up to talk his case over with me," said Crane, "I didn't believe he had a chance of winning. But when I saw what a good fight he was putting up this afternoon I got right into it with both feet. That black eye stuff of his impressed the Board. So frank and honest!"

Subsequently, when interviewed, a member of the Training Department assigned to assist in training the elevator men said: "I wasn't at the hearing. I don't know what evidence was submitted. But as far as service to customers is concerned, the Board's decision is to be regretted."

THE AFTERMATH

On January 23, Dodge returned to work. On March 15, he left the employ of William Filene's Sons Company. The reason as it appears on his final leaving order reads: "Resigned; feels executive is prejudiced against him." And under "Remarks": "Cannot remove feeling employe has. He had secured another position." On Dodge's master card the final notation is "Resigned. Executive prejudiced against him. He had secured another position."

According to Mr. Rand, Dodge behaved fairly well immediately after he came back. It was not long, however, before he began to revert to his former tactics. The circumstances under which Mr. Rand recommended

Dodge's dismissal the second time were these: The elevator men in one of their group meetings had made a ruling that operators in the process of running a car should not talk from one car to another. This was adopted in the interest of better service to customers. One day Dodge and the operator running the elevator in the next well were descending together and talking as they approached the street floor. The other operator stopped talking when he caught sight of Mr. Rand. Dodge, however, spoke up and said to this operator: "You might as well talk now as six months from now." This remark Mr. Rand could not overlook. It was fresh and insubordinate. He at once instructed Dodge to go upstairs and get his money. Nor did Dodge make any fuss or appeal from this decision.

The "Resigned" recorded on Dodge's leaving order gave rise to some queries. In reply Mr. Rand stated that the employment manager had asked him if he had any objection to letting Dodge's discharge go through as a resignation. He hadn't.

Mr. Rand disliked, he said, the I-told-you-so attitude. But quite frankly, he had foreseen the inevitableness of Dodge's dismissal. If the Arbitration Board had known Dodge as well as he had, it would have foreseen it, too. Not that he was criticizing the Board's decision. He wasn't. Far from it. It was a great thing for the workers to have such an institution. They were sure of getting a square deal. If he were running a store, though, he wouldn't have an arbitration board. He certainly wouldn't take any chances like that.

CHAPTER XII

THE ARBITRATION BOARD[1]

THE Dodge case has been selected to illustrate the functioning of the Arbitration Board of the Filene Co-operative Association for several reasons. First, the incidents leading up to this appeal all happened while we were at the store. Moreover, one of us was present at the trial. Secondly, Dodge's case involved dismissal; and dismissal cases are usually the most important. They are likely to have more at stake for both the appellant and the store than do those against damage or loss of goods, unfair wages, hours or other working conditions. Thirdly, the charges against Dodge were definite, clear-cut and objective. Finally, this case, with its decision adverse to the Management and with Dodge's final separation from employment, dramatizes the vital issues inherent in the Board. To discuss them intelligently, it is necessary first to know something of the origin of the Board, its organization and activities. Because the Arbitration Board of the Filene Co-operative Association represents so wide a departure from customary procedure in granting employes power to settle grievances, it seems to us to warrant a particularly full treatment.

ORIGIN

Early in 1901, so the story goes, the head cashier walked into Edward A. Filene's office. Her feelings ran

[1] For Special Arbitration Board, see p. 463.

high. One of her assistants had been charged for a shortage in her cash account. It was all wrong, she thought, to deduct for shortages and to do nothing about "overages." The firm simply pocketed the latter and kept mum. Why shouldn't the cashiers be credited with them? The present system seemed to her entirely unfair. Didn't Mr. Filene think so?

He rather did. There was, however, another side to the story. The rule had been made to check carelessness and dishonesty. The firm had to have some means of protecting itself against losses. Accuracy was the goal.

"But an overage," argued the head cashier, "is just as much an inaccuracy as a shortage."

"To be consistent," answered Mr. Filene, "we should penalize you for both."

There might be something in what Mr. Filene had said, but the head cashier couldn't see it. If cashiers were charged for shortages, she was still convinced that they should be credited with "overages."

Mr. Filene suggested arbitration. The cashier could choose anyone she wished to represent her side of the case. He would choose someone to represent his. These two would choose a third. Their decision would be binding. It was. From that time to the present, cashiers have been credited on paper with their "overages." Nor for the last several years have they been made to pay their shortages. Thus was arbitration inaugurated at Filene's.

Subsequently, the question of charges for breakage and for other damages was also referred to arbitration. The decision modified the existing rule governing these offenses. In addition, it gave to employes in excep-

tional cases of this kind the right of appeal. Some machinery, therefore, had to be set up to handle such appeals.

Accordingly, in 1901, the Arbitration Board was established as a representative institution of the Filene Co-operative Association. During the more than twenty-five years which have elapsed since its establishment, it has undergone certain changes. Its scope has been broadened, its membership enlarged, its procedure formalized.

DUTIES AND POWERS

In November of 1901, about four months after the Arbitration Board had been organized, its jurisdiction was extended from questions of fines to those of dismissal. Two years later its power was further enlarged. Henceforth, it was to act as a final court of appeal in all cases of controversy between the company and an employe and between one employe and another. But specific provision was made that the Board should have no authority to change a store rule.

This limitation of its jurisdiction was not accepted by the Board without protest. In May of 1903 it unanimously voted:

> We do not accept the phrase denying the Board's authority to change firm or store rules. The powers of the Arbitration Board should remain as previously defined. It should continue to be a final court of appeal in all cases of controversy between the firm and its employes. And if a store rule is unjust toward an employe, the Arbitration Board should have the right itself to change that rule.

In reply to this vote Edward A. Filene dictated the following:

The firm holds that the Arbitration Board is right in the statement that it is a final court of appeal between the firm and employes. But if the Arbitration Board should have the power to change a rule, its rights would interfere with those of the Co-operative Association. Thus, the nine people who constitute the Board would militate almost as much against the democratic control which we are trying to establish as if the firm made all the rules.

However, the Arbitration Board probably can get what it wants by stating at any meeting of the Filene Co-operative Association that it finds a certain rule unjust. There is not the slightest doubt in the firm's mind but that such a rule would be either changed or rescinded by the Association.

We think the Arbitration Board will agree with the firm that the procedure here suggested is the proper one. We ask it, therefore, to deal with this problem at its next meeting, and either to repeal the previous vote (if it agrees with the above statement) or to point out a better method of handling the situation. In the event of the latter action the firm will be glad to adopt the Board's suggestion.

Discussion of this communication led the Board to vote unanimously that:

The Arbitration Board should have the power to consider the appeal of any individual member of the Filene Co-operative Association who feels that a store rule affects him unjustly. It should pass upon this individual case in any manner it thinks right. And using this case as an example it should bring the rule before the Association for reconsideration.

The Arbitration Board should have the power to suspend any arbitrary rule put into effect by the firm or superintendent found to be unjust toward an employe until it is brought before the entire body of the Association for final settlement. This motion is not intended to include merchandising rules.

In accordance with the foregoing vote the Board was granted power to suspend any rule it deemed unjustly applicable until the Filene Co-operative Association had taken action upon it. But the provision that it had no power to change a rule remained unaltered.

According to a revision of the Association's constitution made in 1914, it was the duty of the Board "to see that justice prevails either by initiating an inquiry or by granting a hearing to any member of the Filene Co-operative Association." No record, however, of any action initiated by the Board is to be found.

A fuller definition of the Board's duties is provided in the 1922 revision of the constitution. This states that

> on application of any Filene Co-operative Association member, it [the Board] shall hear, determine and have *final jurisdiction* over grievances or disputes, including such questions as wages, discharges and working conditions between a Filene Co-operative Association member and the Management; between two or more members in matters of store interest, as to the justice or application of a rule affecting a Filene Co-operative Association member or members, or in any case in which any member of the Filene Co-operative Association has reason to question the justice of any decision of a superior or the action of any Filene Co-operative Association officer, member or committee.

MEMBERSHIP

The first permanent Arbitration Board was composed of seven representatives. One was elected from each selling floor of the store and one from the bookkeeping office. Since the idea behind the Board was "trial by peers," in only a few instances have members of the Management served. Recently, however, definite provision has been made against their serving. The present

constitution specifies that "the Management as such shall have no representative on the Board."

With the expansion of the store, adherence to the principle of sectional representation has made necessary an increase in the Board's membership. For some years it numbered 13, including the chairman. In 1921 it was increased to 18. At that time the store was divided into 18 instead of 12 sections. In 1924 another was added. Each of the 19 districts elects a representative to the Board. For any one case, however, but 12 members and the chairman serve. Of these 12, one is the representative from the appellant's district; the other 11 are drawn by lot from the remaining 18 members. Experience proved that 12 constituted a better working board than 19.

No member of the Association is eligible for election to the Board who has not been on the regular store payroll for a period of two years. The term of office of Board members is one year. Those representatives from the odd numbered districts are elected in March; those from the even numbered, in September.

The chairman was originally chosen by the Board from its own membership. At present he is appointed by the president of the Association from among the regularly elected members of the Council, subject to confirmation by a two-thirds vote of that body. His term of office is also one year.

PROCEDURE

In its early days the procedure of the Board was exceedingly informal. Usually the appellant, after talking his case over with the welfare secretary, wrote out a short statement of it and sent it to the Board. A meet-

ing was then arranged at which the appellant was present. His statement was either read by the chairman or presented by himself. Questions were asked of him and of any witnesses who might have been summoned.

The conduct of a case dated January 23, 1903, indicates the simple way in which the Board then functioned. The appeal was that of the writer of signs for displays of merchandise against the recording of blunders against him, revealed through the practice of giving a prize for the detection of errors in advertisements and signs. His written statement to the Board reads:

I think it [the rule] is unfair for many reasons—have too much work in very little time—have no proof reader or assistant like the advertising man—neither have I the advantages of a college education. I have not an office in which I may work undisturbed, but it is a fact I am right in noisiest place in building—shipping room—supply room and sample room —time desk—and my room is a bureau of information to answer all kinds of questions (Where is Leavitt?—Where can I get one of the porters?—Where is the shipping room?—etc.) and how frequently have I got to go to the window. Then I have got to make many signs while you wait. Again have to make corrections on almost every order sent me—and have had to make frequent corrections written by and sent from the advertising man—who is supposed to be pretty near perfect. Is an injustice to me—I think—that after having worked hard all day—and then say two or three o'clock in the morning—all played out—I should make a grammatical error, I should be called for it. This is my protest which I place before you to abolish an unfair rule.

R. M. JACKSON [1]

[1] Fictitious name.

Following the receipt of this appeal the Board, according to the record, met alone. The chairman read Jackson's statement.

"Right you are!" affirmed one of the members.

"There is a great deal of merit in Mr. Jackson's claim," agreed another.

"It doesn't seem to me that errors should reflect on the sign-painter if he simply copies orders," said still another.

After discussing the matter more fully but without summoning any witnesses, the Board passed the following motion:

"For the future the sign-writer may not be charged for errors that occur in signs unless he is safeguarded by having these signs gone over for corrections in the advertising office, which is responsible for the signs when sent down to him."[1]

In the Jackson case the Board heard only the appellant's plea. How typical this procedure was in preceding cases it is impossible to say. But it was not followed long in succeeding ones. In June of 1903 the Board recommended the reinstatement of an appellant. In accepting the recommendation, however, the firm called the attention of the Board to the fact that in the future both sides of a case should be heard and that the Management might be represented by the superintendent.

Subsequently the requirement that the Board hear both sides of a case was incorporated in the constitution of the Association. On receipt of a request for a

[1] Since the Board has no power to change a store rule, this motion was in the nature of a recommendation. It was adopted by the Management.

hearing, the chairman of the Board was to notify those directly concerned in the case, including the head of the division affected by the decision. It was further specified that both parties could be present throughout the taking of evidence.

In 1914 the practice of having counsel for each side of a case was inaugurated. The executive secretary of the Association became at that time and still acts as attorney for the appellant. The latter, however, may secure someone else, either inside or outside the store, if he chooses. For some time the appellant's immediate superior acted as attorney for the Management. But within the past two years he has been replaced by the personnel superintendent.

A difference of opinion exists as to the part to be played by the executive secretary of the Association in his capacity as counsel for the appellant. According to one point of view, the executive secretary is the leader and champion of the employes. He welcomes opportunities to represent and fight for his constituents. As their counsel in any dispute against the Management, therefore, he does everything in his power to plead and win their case. His part corresponds to that of the attorney for the defendant in the system of criminal jurisprudence which this country has adopted. The defendant is held to be innocent until he is proved guilty; and the burden of proof is on the state. Whatever the degree of the defendant's guilt, it is the recognized responsibility of his counsel to put up as strong a case for him as the facts permit. Nor is the ethics of this procedure questioned. It is the custom.

The executive secretary, therefore, as counsel for the appellant in Arbitration Board cases, is aligned on the

side of employes and against the Management in disputes between it and them.

The second point of view holds that the executive secretary is the sole advocate of neither workers nor Management. He is the executive of an association which includes in its membership both these groups. And the purpose of that association, as its name implies, is to substitute co-operation for conflict. The executive secretary, therefore, in his capacity as counsel for the appellant in an Arbitration Board case must consider both sides of the case—the appellant's and the Management's. And his preparation and presentation of the case for the appellant should be based on his decision as to what is best for the store and for the Association as a whole.

Nor is evidence lacking of the understanding of this point of view by the executive secretary and of his procedure in compliance with it. In cases in which he has felt that the employe has received justice and had no ground for appeal he has, he states, advised against arbitration. At the same time he has promised to do his best for him if the employe has persisted in appealing to the Board and in desiring his services as counsel.

It would be very misleading if our presentation of these two points of view about the responsibility of the executive secretary as attorney for the appellant gave the reader the impression that the membership of the Association was aligned into two corresponding camps on this question. There is no such clear-cut issue. The thinking on this matter, as indicated by our interviews with representatives of the Management, the chairman of the Board and the executive secretary who held office from 1918 to 1925, is vague. But until the prob-

lem is thought through—and in our opinion the first point of view, that the executive secretary is the champion of the employe, is the only tenable one—confusion as to the procedure of the Board is inevitable.

"The counsel," according to the present by-laws of the Association, "shall see that his case is properly prepared before coming to the meeting of the Board," and "if, in the judgment of the Board, the case is not prepared, the chairman may order a continuance."

The order of presentation of any case is also fixed by the by-laws: A statement of it is first of all made by the chairman. This is followed by the appellant's plea, his evidence in detail and the cross-examination of his witnesses by the counsel for the defendant. Then comes the defendant's plea, his evidence in detail and the cross-examination of his witnesses by the appellant's attorney. A summary by the appellant's counsel and one by the defendant's counsel complete the presentation of the case. The Board then holds an executive session, to which none but members are admitted, to consider the evidence and to render "without prejudice" a decision "based upon the evidence received." It is stated, however, that in executive sessions members have introduced new evidence which has been a strong factor in determining the verdict.

The only regulation of evidence is that none "can be introduced to question the character or ability of any witness appearing before the Board. In a case, however, where the witness testifies to something as of his own knowledge, records may be introduced in rebuttal." Nor is there anything to prevent questioning by any member of the Board at any time throughout the hearing.

A majority vote of the members of the Board present and voting constitutes a decision. Formerly, in cases of dismissal, a two-thirds vote was required for reinstatement. And at one time even a unanimous vote was necessary. All voting is by secret ballot.

It is provided in the by-laws of the Association that "at the close of the meeting the chairman shall immediately inform both the appellant and the defendant of the result of the meeting."

A stenographic record of the proceedings in each case is made by a member of the office staff of the Association. The stenographer is not permitted, however, to attend the executive session of the Board. Its decision is dictated to her by the chairman. Copies of the record are sent to the personnel superintendent, the general manager and the president of the corporation, and one is filed in the office of the Association. Also, a written notice of the decision is sent to the appellant.

WORK OF THE BOARD

Exactly how many cases the Board has handled since its establishment, could not be ascertained. No complete record has been kept. From the evidence which is available it is estimated that up to November 15, 1926, the Board had heard between 690 and 760 cases. The largest number of these credited to any one year is 70 in 1913–1914.

An obvious cause of the activity of the Board in 1913–1914 was the inevitable necessity of reducing an over-expanded personnel which had been engaged to staff the new store, completed in 1912. About 2,500 employes had been added to the force. Unfavorable business conditions, however, made it necessary to re-

duce this force. Some of these cases of dismissal came before the Board, increasing the number acted upon over those of former years. Also, a bulletin dated January, 1912, from the general manager to the Council of the Association, suggesting greater use of the Board, may have been an additional factor in stimulating appeals.

After much discussion of this bulletin the Council voted to give more publicity to the work of the Board and adopted a program to this end.[1] Statistics of cases were to be published regularly in the Echo. More space was to be given to an explanation of the Board in the rule book and in the Association's headquarters. New employes were to be especially instructed about the Board. The store manager was requested to inform floor superintendents at their weekly meetings to bring the Board to the attention of their subordinates. In addition the Council asked the general manager to give public expression to his views on the Board.

Before these steps to make the Board better known had been carried out, the condition which gave rise to them completely changed. The Board suddenly found itself pressed with appeals. Too many were as bad as too few. In the April 2, 1913, issue of the Echo, A. Lincoln Filene is found quoting Justice Brandeis, at that time the company's attorney, to the effect that "an Arbitration Board is a very good thing to have, but it should be used as little as possible." "I feel," continued Mr. Filene, "that we have been a little too prone to use the Board for trivial cases which the immediate superior easily should have handled fairly."

[1] A notice, advising employes to appeal to the Arbitration Board in case of any deduction from their earnings which they consider unjust, has been printed on pay envelopes since the establishment of the Board.

That the Board was being used too frequently is again indicated by an article in the April 30, 1914, Echo, entitled "Board of Arbitration—Its Uses and Abuses."

"It means," states this article, "the same as the Supreme Court of the United States means to every citizen after going through every court or tribunal of the land."

And again:

> Employes are often too liable to appeal to the Board when they might secure satisfactory adjustment from their immediate superior, or if not from him, from a member of the firm.
>
> Bear in mind that each case brought before the Board of Arbitration means the loss of time to the Management and retards the regular work of those who constitute the Board.
>
> Any body which is used sparingly and with good judgment is more liable to give satisfactory service than one which is continually called upon unnecessarily to settle every little dispute which may arise.
>
> In summary, do not forget that the Board is ready and waiting for you at any time that you feel justice from all other sources has been denied you, but do not appeal your case until you have tried other means of adjustment.

But again, in 1920, the Board experienced a decrease in cases; it had handled but four. Again publicity was organized. A selected group of speakers gave four-minute talks on the Board. In these, the executive secretary recommended that the speakers suggest the use of the Board for other difficulties than discharge.

Some idea of the relative frequency with which the Board has been used is to be had in the ratio between its dismissal cases and the total number of discharges.

These cases, it must be remembered, constitute but one class. But undoubtedly they are the most important. For the five-year period ending January 31, 1926, the discharged numbered 862. Only 74, or approximately 9 per cent of these, had appealed to the Arbitration Board.

Whether any larger number of those dismissed felt they had ground for appeal, it was impossible to determine. Nor is it an easy matter to gauge to what extent, if to any, justifiable appeals in either dismissal or other cases are waived. Some employes testified that they would endure an injustice or resign rather than appeal to the Board. The procedure, they felt, was embarrassing; they shrank from the ordeal and from the publicity inevitably attached. But that prejudice or injustice on the part of the Board had deterred them in the past or would prevent them in the future from appealing, they vigorously denied. In fact, they quite scoffed at the suggestion.

SOME STATISTICAL FACTS ABOUT DECISIONS

Each case the Arbitration Board has judged on its own merits and not in accordance with precedent. This policy was adopted in the beginning of the Board's history as insuring the greatest justice; and it has always been adhered to.

The statement is frequently made by members of the Management and the officers of the Association that the Board's decisions have been about equally in favor of the appellant and the Management. In 308 cases (the total number for which we were able to find any record) 42 per cent of the decisions were in favor of the Management, 55 per cent in favor of the appellant and

3 per cent a compromise. On dismissal charges, which are the most serious, 46 per cent of the decisions were favorable to the appellant and 54 per cent to the Management. The total 308 cases extend over two periods, from 1901 to 1907, and from 1913 to November 15, 1926.

TABLE 12.—NATURE OF THE DECISIONS IN 308 CASES OF THE ARBITRATION BOARD

Appeals	In favor of the store	In favor of the appellant	Compromise	Total
Dismissal	71[a]	61	—	132
Deduction (error or loss)	46	87	5	138
Controversy[b]	12	17	3	32
Claims—damage or loss	1	3	2	6
Total	130	168	10	308

[a] Many of the decisions in dismissal cases favorable to the store were accompanied by recommendations for leniency and reinstatement when possible. Pensions were granted in two cases.

[b] Includes appeals regarding hours, wages, promotion, pay for vacations and others.

THE MANAGEMENT AND THE BOARD

During the first few years of the Board's history, the Filenes themselves and their chief executives were deeply concerned with its functioning. They had set up the Board as an experiment. Nor were they lacking in appreciation of the risks entailed in such an experiment. They realized fully that their workers were untrained in the processes of adjudication and that they could not be expected, particularly in the beginning, always to make wise decisions.

Occasions tempting the Management to interfere with decisions of the Board have most certainly presented themselves. But in only a very few instances has it, or, more accurately, the vice-president in charge of

the store, made any attempt to modify the action of the Board. One such instance was in relation to the appeal of a saleswoman against a charge of $1.50 for knocking a stool through the door of a glass case. The Board had unanimously voted to "exonerate her from blame and to recommend to the superintendent that the proper kind of stool be substituted in that place and elsewhere if necessary."

On receipt of the Board's decision the superintendent, at that time Mr. Cory, replied:

> This strikes me as a very poor decision. Shall we fit the store to protect careless people? Or shall careless people protect the store? If a boy breaks a glass door, shall we say the door should be wood? We put in the furniture to fit the store. And it is a peculiar judgment to say the shape of some of it is wrong and that we should stand the loss in this particular case.

Subsequently he wrote:

> The question was whether there was carelessness on the part of the girl, or whether the house was responsible.
>
> While the accident would not have happened as it did with a round stool, still it *could* have happened if the round stool had been knocked over.
>
> The camp stool back of the counter was put there because it occupied less space, and could be folded up and placed under the counter. We do not feel that the company is responsible for the breakage because the stool was not put in its right place. To make the store responsible would bring up the question as to whether it is properly furnished.
>
> The cases have glass doors and glass tops. If through the carelessness of an employe they should be broken, would the decision of the Arbitration Board be that they should have been made of sheet iron instead of glass? If a person should

tip a chair back and it should go through the mirror, would the decision be that we should have no backs to the chairs?

I give the above illustrations merely to show that the type of furniture in the store cannot be accepted as a reason for making the company responsible for carelessness in the use of said furniture.

The recognition by the Board of this interference as unjustifiable, and its courage in repudiating it, are made clear in the following unanimous vote:

That replying to Mr. Cory's comment on the decision of the Board in the case of Miss Black, . . .

It is the sense of the Board that the illustrations given by Mr. Cory are not applicable to the case, as the decision in this case does not form a precedent for future decisions. All future cases will be decided on their merits.

Another instance in which Mr. Cory voiced his objection to the Board's decision occurred in January, 1906. The Board had voted to cancel a charge of $5.85 against a salesperson, whose sales check for a transaction of this amount was missing. On receipt of this vote, Mr. Cory dictated the following memorandum:

I ask your board to reconsider the vote to refund the money to Miss Smith. The rule was issued properly and was signed by her as you will see by the floor superintendent's book on the fifth floor. The bulletin about this rule was issued by the Board of Arbitration on August 20, 1906.

A girl who has read and knows the rule deliberately breaks it. Instead of taking the consequences she appeals to your body and is justified by your refunding to her the money.

I feel that it is a very dangerous precedent to establish. The breaking of rules is and should be a cause for punishment and not for vindication.

In response to this communication the Board held a meeting on February 11. It backed down and, quite contrary to judicial procedure, reversed its own decision. All decisions of the Board, it will be remembered, are final. No provision exists for appeal. The minutes state:

> The committee believed that while it was bad for the Board to be obliged to reconsider the case, it should do so if more complete justice could be done.
>
> As this new evidence clearly proved that Miss Smith should have known the rule, it was voted six to two that the committee reverse the decision of its previous meeting and charge Miss Smith with the $5.85.

Such expressed disapproval of the Board's decisions by a member of the Management, as here illustrated, has been the exception rather than the rule. And exceptions, it may be reiterated, occurred in the early years of the Board. Several years' experience with the Board had resulted in no disastrous effects to the business. From a state of solicitude about it and watchfulness over it, the Management gradually passed into one of security, taking it for granted and letting it run itself. In only three instances during the last fifteen years has there been any record of action on the part of the Management in regard to it. The first of these, as already indicated, occurred in 1912, when the inactivity of the Board became conspicuous.

"I want," said the general manager, A. Lincoln Filene, in a bulletin that he addressed on this occasion to the Council of the Filene Co-operative Association,

> to call your attention to the very little use to which the Arbitration Board is being put of late. While I should like to

think the inherent justice in our organization makes the Arbitration Board non-essential, I am afraid we cannot answer the question in that way.

I know of one or two instances in which employes did not dare use the Arbitration Board. They accepted conditions rather than jeopardize their positions. We should impress upon these people that to show the moral courage to fight for their rights only strengthens them.

The Management is willing to trust its interests to this board on which it has no representation. You helped elect the board. Surely you can trust it.

The second occasion followed shortly after this, in 1913, when excessive activity caused the general manager to suggest the use of the Board only in cases that justified appeal to it.

The third instance took place in 1925, when the general manager, in addressing the Council on the administration of the Association, stated that "sympathy cannot enter into decisions of the Board, or inefficiency be excused so that the protection of the main body of employes can be assured; otherwise the Board would fail entirely."[1]

Subsequently, during the same month, the general manager entertained the members of the Board, together with a few of the store's executives, at dinner for the purpose of discussing its work.[2]

All in all, the Management accepts the Board as an extremely useful and safe piece of personnel machinery —"the biggest factor in the F. C. A."

EMPLOYES AND THE BOARD

Interviews were sought especially with employes who had appealed to the Board. Two or three who had lost

[1] Echo, January 2, 1925. [2] Echo, January 23, 1925.

their case stated that at the time of the decision they felt it unfair, but that ultimately they had come to believe it right. Nor did the comments of any member of this group signify anything but the highest esteem for the awards of the Board generally.

Among members of the rank and file—others than those included in the group just referred to—only one doubted the fairmindedness of the Board. "Executives," he said, "dominate it. The other members don't dare call their souls their own." But no evidence was forthcoming to substantiate these charges. Altogether the enthusiastic comments of the Filene rank and file demonstrate that they respect the decisions of the Board as fair and just.

Executives were more temperate in their enthusiasm. Two or three who had been involved in appeals questioned the intelligence of some of the judgments rendered. Comparatively few, however, made any more general or fundamental criticism.

The most thoughtful and far-reaching estimate of the Board came from members of the Personnel Division and the higher executives in the service pyramid. This will be brought out in our discussion of the advantages and disadvantages of the Board. The consensus of this particular group's opinion is indicated by the following statement made by one of its members.

"The Arbitration Board," he said, "is in most respects superfluous. No employer could be fairer than the Filenes. Employes realize this. But they like guarantees; and they would feel differently about things if they did not have the Board."

CHAPTER XIII

ADVANTAGES AND DISADVANTAGES OF THE ARBITRATION BOARD

THE Arbitration Board of the Filene Co-operative Association, it may be pointed out, is not a typical piece of arbitration machinery. Such machinery usually consists of a representative of each of the two conflicting interests, together with a third and neutral one agreed upon by the first two. Or it may consist of any variation of this arrangement by which each of the conflicting interests has equal weight with the third constituent holding the balance of power. Clearly the regularly elected Arbitration Board of the Filene Co-operative Association does not embody these principles of representation. The Management as such is not included in its membership.

How is this departure from the accepted organization for purposes of arbitration to be explained? By the conviction of the Filenes that the wider the distribution of responsibility among employes for problems they are equipped to handle, the more effective their performance.

The reasoning of the Filenes ran thus: Decisions made by the Management against an employe are likely to arouse the sympathy of their fellow workers. They do not weigh the facts of the matter. Indeed, they do not have them all to weigh. Nor is there any particular reason why they should weigh them. If there were,

their attitude probably would be more judicial and less emotional. Emotional disturbances, particularly those caused by real or imagined injustice, reflect themselves in work. To give employes responsibility and authority for decisions in matters of fair dealing between themselves and the Management would eliminate much friction, train the judgment of the former and result in better service. Therefore as many employes as practicable should participate in such decisions.

It is frequently stated that the theory behind the composition of the Board is that it is made up of *peers* of the appellant. Since some of its members are executives and others non-executives, the theory does not in practice altogether hold. But it must be emphasized that the members of the Board who are executives are in no sense *official* delegates of the Management, however sympathetic with it may be their attitude. Rather are they the elected representatives of the great majority of the workers, the rank and file. That the difference in the work and status of executives and non-executives makes for a difference in point of view is probably not to be questioned. Since, however, the executives on the Board have always been in the minority, this difference has not made itself evident in decisions. It is, nevertheless, a question which should be thought through.

The deviation of the Board from typical arbitration machinery may not be particularly significant, for it does not vitiate the purpose of the Board or impair its functioning. But it can hardly fail for those who know the Board only by name to result in misconceptions as to its composition and procedure.

ADVANTAGES

Corrects Injustices. First and foremost among the advantages of the Board is the fact, it is unanimously agreed, that it accomplishes the purpose for which it was established. And that purpose was the correction of injustice in relations between the Management and its employes. As a piece of standing machinery easily and quickly set in motion, and as expeditiously turning out verdicts, the Arbitration Board acts as a strong deterrent against the unfair treatment of employes.

Though the correction of injustices may be regarded as a negative asset, it is an important one. The very first step in the development of an effective personnel policy is the elimination of conditions which make for dissatisfaction. The causes of disease must be removed before health is certain. Until comparatively recently, in the field of industrial relations, the abuses have been so many and so great that they have occupied the center of the stage. The development of a more positive technique to improve and perfect personnel relations is only now beginning. To this end the Arbitration Board directly operates.

Provides a Laboratory. All appeals which reach the Arbitration Board are case problems in personnel relations. Many of them are living illustrations of wrongs, errors or misunderstandings. The data presented to the Board afford it a fairly complete history of any one case. In thinking through the presentation of their case and their decision, the counsel and members of the Board, respectively, can hardly escape deductions as to methods that would have prevented the occasion for the appeal. And it does not seem unreasonable to ex-

pect these people to apply those deductions in their own work and furthermore to disseminate them. In other words, the Board functions as a training school for those who participate in its activity. It teaches them to think out, and in some instances perhaps to put into practice, principles of behavior that make for satisfactory relations in their work.

A formal attempt to utilize the experiences of the Arbitration Board in evolving principles of executive procedure was made in 1922 by the Training Department. One of the members of its staff studied a large number of the records of arbitration cases. From these she drew part of the content of a course of study designed for executives in directing their staffs.

If the Arbitration Board has not more fully realized its possibilities for improving personnel technique, it is because its decisions and the information it has assembled have not been sufficiently used for this purpose.

Produces Goodwill. A mechanism which operates to prevent injustices and more positively to improve personnel methods engenders confidence in those responsible for it. And confidence is an essential element in and for goodwill. That the Arbitration Board creates goodwill, particularly among the rank and file, is not to be disputed. Interviews with workers afforded abounding evidence of it.

To measure the benefits that accrue to the Management from the goodwill of its personnel is a difficult task. Among them, it is claimed, are greater per capita efficiency, loyalty, a low labor turnover, prestige with the consumer and particularly with wage-earners. To what may be called the retail labor market in and about

Boston, Filene's seems to personify all that is most desirable in employment relations. And to the Arbitration Board is due, it is said, the reputation of the store as a "place where you can't get fired unjustifiably."

It must not be assumed that the goodwill of the Filene personnel toward the Management, and the reflection of it in the public mind, is due entirely to the Arbitration Board. Far from it. But the Arbitration Board is very decidedly one of the factors which create that goodwill.

Discloses Defects. One of the major contributions of the Board, it is claimed, is its power to uncover unapparent and elusive weaknesses in the operation of the store. They may result from unforeseen limitations in the application of certain policies or rules, definite omissions, the incompetence of particular executives or other conditions which need to be remedied. Nor are these defects always directly responsible for the actions which lead to the appeal. Frequently they emerge quite accidentally in the course of the Board's proceedings and they are often very indirectly concerned with the case in question. The early records of the Board's decisions often included recommendations intended to remedy the ills which it had discovered. Absence of these recommendations in the later history of the Board is no assurance that the attorney for the Management has made them, though he might be the logical person to assume this responsibility.

Much may be said for the argument that a proper system of supervision should and would catch the deficiencies mentioned. At the same time, it must be remembered that as long as supervision is a function performed by human beings it will be subject to error. In

a sense, therefore, the Arbitration Board may be looked upon as an aid to supervision.

DISADVANTAGES

Against the advantages of the Board must be balanced the disadvantages. The latter, however, apply only to the Management. For it will be agreed that to the workers the Board is an institution in which nothing is to be lost and everything to be gained.

Perhaps the most obvious drawback the Arbitration Board presents to the Filene Management is its potentiality for partisanship in behalf of employes. This potentiality inheres in the personnel of the Board.

Partisanship. The membership of the Board is largely made up of members of the rank and file. Executives and specialists, in so far as we have been able to determine, have never been in the majority. In the Dodge case, as already indicated, they constituted one-fourth.

In the assumed difference in point of view between the executive and the non-executive—between him who bosses and him who gets bossed—lies a possible tendency on the part of the Board to favor the appellant as against the Management. Authority coupled with responsibility in employment relations begets certain experiences, judgments and behavior. These, it is claimed, are foreign to persons who have never shared such authority and responsibility. In other words, unless non-executive workers have sometimes been responsible for the work of others and have had to make decisions and take the risks which fall to the Management's lot, they find it difficult if not almost impossible to understand the Management's problems or to sym-

pathize with its point of view. Rather are they likely to be engrossed with thoughts of their own insecurity, their insufficient earnings, their lack of leisure and their ability to run things better than those in power. It is, therefore, much easier for non-executive members of the Board to visualize the side of the worker in an arbitration case than that of the Management. The latter is too remote from their experience.

The Board was established, in the words of Edward A. Filene, "to correct injustices almost inseparable from giving power to such minor executives, foremen and overseers as have not had sufficient training in the use of it." The chance, however, that such misuse of power will result in dismissal is not great. Recommendations for dismissal do not become effective without having been checked. The leaving order for any employe is first made out by his immediate executive. This is reviewed by the executive's superior officer. Then it goes to the Employment Department, where it is again reviewed. The personnel superintendent investigates the reason leading to the recommendation for dismissal. The thoroughness of the investigation depends of course on the type of personnel superintendent. And it must be admitted that in some instances it is almost impossible to get the facts. But if not regard for justice then the policy of low turnover and the risk of a reversal of his decision by the Arbitration Board tend to prevent the personnel superintendent from giving his O.K. to recommendations for dismissal made without due cause.

Whatever the precaution taken by the Management previous to any action by the Arbitration Board to prevent dismissal without just cause, it is a fact that

46 per cent of the dismissal cases brought before the Arbitration Board have been decided in favor of the appellant. Either the Management dismissed employes without due cause or else the majority of the members of the Arbitration Board thought the dismissals unjust. That they should think so, it is argued, is only natural. It is but an instance of the sympathetic movement among employes as against employer.

Nor does there exist any strong antidote against this alleged tendency, particularly of members of the Board who are of the rank and file, to favor the appellant. Fear of incurring the displeasure of the Management is sometimes offered. But the members of the Board have no fear of the Management. The justness of the latter toward the Board over a period of some twenty-five years makes fear altogether untenable. Moreover, since voting is by secret ballot there is no way of identifying how the various members vote, unless they all vote the same way or unless they openly acknowledge how they vote.

Depreciation and Intimidation of Executives. Much the most serious hazard to the Management presented by the Arbitration Board is the undesirable effects it may produce on executives. These result from the Board's decisions to reinstate a worker in the position he held at the time of his appeal from dismissal.

Decisions for the reinstatement of employes, some hold, tend first of all to lessen the prestige and to weaken the authority of the executive in question. All of his immediate subordinates as well as the store at large are likely to know that his judgment has not been backed up; even more, that it has been reversed by a representative institution of the store. And the presence of the

reinstated worker is none too pleasant a reminder of this fact. If by chance the worker is given to braggadocio or any display of exultation, the more conscious of the executive's defeat do his other subordinates and the executive himself become. Under the circumstances, it is argued, the executive can hardly fail to lose prestige and authority over his workers.

Sufficient evidence, however, in support of this point of view is not forthcoming to warrant its general acceptance. In some cases the reinstatement of a dismissed worker in the position held at the time of his appeal may produce the results indicated. In others it may not. All depends on the executive and the subordinate concerned, and the specific conditions leading to the dismissal.

The Dodge case was the only one that occurred while we were at the store in which the Board rendered a decision for reinstatement. Our study of this case did not lead us to believe that Mr. Rand lost any prestige or authority over his men through Dodge's reinstatement. Rather did the opposite occur. The elevator men knew Dodge. They also felt that Rand was justified in dismissing him, and they respected him the more for doing so. Nor did Rand accept the Board's decision as an indictment of himself, but rather as a generous act toward Dodge—merely giving him another chance. Rand therefore met the decision by maintaining with dignity an equable tenor of sound discipline toward Dodge and the other men alike. But there is no doubt that Rand's pride was hurt by the decision and that it tended henceforth to make him more cautious in recommending a dismissal. This last result warrants consideration.

It is freely admitted by members of the Personnel Divi-

sion and to some extent by executives themselves that they hesitate to recommend the dismissal of inefficient and otherwise undesirable employes. They fear, they say, a failure on the part of the Arbitration Board to sustain them. While an executive, as pointed out in the Dodge case, may not suffer much through a decision of the Board for the reinstatement of one of his subordinates, he is not going to risk a second such decision if he can help it. And the safest way to avoid this risk is to refrain from making out dismissal orders.

Facts indicating the failure of executives to recommend the dismissal of inefficient subordinates are difficult to secure. Just how many inefficient workers are retained and to what extent their retention is due to the intimidating effects of the Arbitration Board on those in authority, it is impossible to state. Records of the ratings of employes offer little evidence. Executives could not very well give low ratings to those whom they would be unwilling to recommend for dismissal. That the Board, however, is indirectly responsible for the retention of some undesirable workers, is inferred from the testimony of those who are in a position to know.

As presented in the preceding discussion, the outstanding disadvantages of the Arbitration Board number two: first, its potentiality for partisanship resident in the personnel of the Board; second, its tendency to lessen in some instances the prestige and authority of the executive and to prevent him from dismissing undesirable subordinates.

PROMOTION OF EFFECTIVE FUNCTIONING

The disadvantages of the Board are quite outweighed, it seems to us, by its advantages. But the former are

none the less real. And if the Board is to carry conviction with employers less willing than the Filenes to take risks in personnel relations, every step possible should be taken to minimize these risks and to promote the most effective functioning of the Board.

Distinctions in Membership. If, as may be assumed, the Management still wishes to give the employes greater power in the administration of justice, the question of executive and non-executive membership should be thought through. Although there is no immediate occasion for doing so, there is much to be said for facing the problem and weighing its various aspects. That the Filene Co-operative Association should drift along oblivious of even the existence of a difference in point of view between these classes of membership seems to us bad policy. Awareness by the Association of its responsibility in connection with the Board and of the possibility which its personnel presents for partisanship on behalf of employes is likely to diminish the danger of partisanship.

A Trained Chairman. Another point regarding the composition of the Board is its chairmanship. Now that it has become an appointive office, there is little doubt but that the Council will continue to name a competent executive to fill it. The position is an exceedingly important one. It carries with it both responsibility and power. Its incumbent corresponds to the judge in a trial by jury. Since the Arbitration Board is much more a court of equity than a court of law, the chairman is not concerned as is a judge with points of law. At the same time, the procedure in arbitration cases is becoming more specialized and in a sense technical. More than anyone else concerned should the

chairman be familiar with this procedure and with the rights of the counsel. And he should know, so to speak, how to charge the jury. This is hardly possible if he has not had instruction or experience in this capacity. Training is imperative. Surely some provision for it should be made.

Status of Executive Secretary. Again, straight thinking and clear-cut decisions about the responsibility of the executive secretary of the Association as counsel for the appellant would undoubtedly tend to make the Board function more satisfactorily.

Preparation and Presentation of Cases. Better organization of their cases by the counsel furnishes another opportunity for improving the operation of the Board. The conduct of some of the cases we observed, and the minutes of others which we studied, were most confusing. Either the attorneys had made no careful plans of their procedure or else they had not followed them in their presentation. Only after great effort were we able to make any sort of coherent and unified report out of the minutes of the Dodge case. Unless the counsel carefully select their points, stick to them and develop them, they cannot expect to clinch them in the minds of the members of the Board. Care in the preparation and presentation of cases aids enormously in defining and clarifying issues.

Training of Executives. The second drawback of the Board—its tendency to inhibit executives from recommending the dismissal of undesirable subordinates—can also be considerably reduced or wiped out altogether by better training of executives.

Executives can and should be thoroughly informed as to what are valid reasons for dismissal, reasons which

will stand up justly against an appeal to the Board. Moreover, they can be encouraged to keep adequate personnel records and to collect evidence, substantiating any action they may take in reference to their subordinates. Even more, the size and quality of the personnel over whom an executive has authority should somehow be made a weighty factor in the rating of him by his superior. Or some special incentive more effective than any which may now exist should be devised to operate toward getting an executive to retain under his immediate jurisdiction only qualified workers.

It is, however, in preventing potentially efficient and desirable workers from becoming inefficient and otherwise undesirable that the soundest procedure lies. Here the implications are many and great. They run almost the entire gamut of personnel administration. Of these implications one of the most significant is the necessity for the effective decentralization of training, that is, for making each executive responsible for the training of his subordinates. This in turn means teaching executives how to perform this function. Considerable progress in this direction has already been made.

Supervision. The most effective means of reducing the risks of the Arbitration Board and of perfecting its system is a periodic analysis and study by the Management of the Board and its work. The Management has always received reports of the Board's decisions. But there is nothing to indicate that it gives them the same attention which it did in the early days of the Board's history, or which it gives to reports on merchandise or finance. A systematic consideration of the Board's decisions would materially aid in bettering management generally and personnel relations particularly. After

all, the Board is an instrument which automatically reflects deficiencies in the operation of the store. As such it should be used to the maximum advantage of the store. To this end an adequate system of records is essential.

Adequate Records. Not only should the hearings of the Board be reported as at present, but the notes should be transcribed soon afterward. All the data immediately bearing on the case, such as the requisition for appeal and any documents submitted in the hearing, should be filed with the report of the trial. Moreover, much is to be said for a continuous record summarizing cases over a period of six months or a year, which would give the pertinent information concerning the Board and its activities during this period. Such information would include a record of the membership of the Board, the appellant, the nature of appeal, the decision, and the vote of the Board.[1]

Such a system of records as is here suggested is justifiable only if used. That it is a mark of efficient management to use them has been indicated.

[1] Since the writing of this paragraph, this suggestion has been put into effect.

CHAPTER XIV

REPRESENTATION ON THE BOARD OF DIRECTORS

ONE of the interesting features of the Filene store is its experience, over a period of fourteen years, of giving its employes representation on the Board of Directors. Of the 11 members of the Board four were nominees of the Filene Co-operative Association. These were elected annually by the Board from a panel of at least six nominees chosen by the Council. Only such employes as had been on the regular payroll of the company for at least five years were eligible for election.

Although representation of the Association on the directorate was discussed by the Filenes with their chief executives as early as 1904, no action was taken until 1912, when the new store was completed and a new corporation formed. In that year the Association nominated two directors; in 1913, three. From 1914 until 1928 it nominated four.

NOMINATIONS AND ELECTIONS

In 1912 the two F. C. A. nominees for directorships were elected by vote of the entire membership. This method gave way the following year to nomination by the Council. Again the names of only three of its members, the exact number of directors permitted the Association, were submitted to the stockholders. In order,

however, to provide for some degree of choice, after 1914 the Council named six candidates—two in excess of the four allowed.

Only once, did the nominations made by the Council prove unacceptable to the stockholders. This occurred in 1916. The Council nominated its six candidates as formerly. Of these the stockholders elected but three instead of the regular number, four. At the same time, they unanimously voted

> that the clerk of the corporation be instructed to notify the Filene Co-operative Association Council that it is impossible to secure the necessary votes to elect Miss Jones, Mrs. Smith or Mr. Brown and that the Council be requested to send new nominations from which the director may be elected.

In reply to this communication the Council indirectly rebuked the stockholders for their failure to have defined the qualifications required by the office of director. Moreover, it submitted a definition of its own for approval. Freedom of choice in nominations, the Council further indicated, was much more important to it than possession of its full quota of directors. Its reply seems worth quoting in full.

> The Filene Co-operative Association respectfully submits to the stockholders the following statement as representing its position on the question of further nominations for Filene Co-operative Association directors. . . .
>
> This particular situation has arisen from the failure of the F. C. A. to require a knowledge of the office of director of this business before it ever acted on the privilege granted, as well as from that of the stockholders to interpret to the F. C. A. the meaning of the office. The F. C. A. wishes as far as possible to protect both itself and the stockholders against the recurrence of such a situation.

If this privilege which the stockholders have granted the F. C. A. is going to mean any freedom of choice to its twenty-five hundred members, it will be practically impossible for it to assure no future mistake in its choice of nominees for directors. But the F. C. A. wishes to save for itself every possible freedom of choice and at the same time to protect the Management of this business. Accordingly it believes that it should require itself to forego the privilege of a director in so far as it fails to submit people acceptable to the stockholders. The F. C. A. believes that it can maintain a higher standard of choice by this means than by a new submission of names each time that its nominees fail of election.

The F. C. A. therefore requests of the stockholders the following ruling in regard to F. C. A. directors: *If the stockholders are unable at this time or in the future to make a choice of four from the group nominated by the F. C. A., then the F. C. A. shall forego the privilege of having the full quota of directors for that year.*

Further to safeguard the nominations made by the F. C. A., it wishes to have, as a standard by which to measure the people whom it submits for choice, a formal statement of the task of a director of this business. The F. C. A. therefore asks the stockholders or directors to pass upon this enclosed statement.

The enclosed statement read thus:

The directors are responsible to so direct, control and supervise the business as to safeguard its investment in capital and labor and produce satisfactory growth in sales and net profits on a basis of operation serviceable to the public and fair to the stockholders and the employes.

In general they do this through: (1) the laying down of general policies, (2) the fixing of required results embodied in six months' figure plans, (3) specific action on any other matter of sufficient importance to warrant action by the Board, (4) a consideration, at least once a month, of regular

and special reports submitted by committees or the Management.

The requirements of a director are: (1) good business judgment, (2) a working understanding of the principles of good business administration, (3) a clear perspective of the principles and matters of our own business, (4) a knowledge of conditions and tendencies both inside and outside the business which affect its welfare, and (5) the ability to utilize this knowledge to the maximum advantage of the business.

As all directors have access to all the figures of the business, the safeguarding of this information, as well as all other matters which must be confidential, is an important part of each director's responsibility.

After a conference with the president of the corporation, the Council retreated. In order "that nothing retard the progress of the F. C. A.," it forthwith submitted two additional nominations. Of these the stockholders accepted one.

F. C. A. DIRECTORS

With the exception of the executive secretary of the Filene Co-operative Association, the F. C. A. directors were store executives. No rank-and-file member was ever elected.

Table 13 shows the tenure of office of F. C. A. directors from 1921 to 1926, the positions they occupied in the store at the time of their election, their initial positions and length of service there. During 1926 one of these directors, the executive secretary of the Filene Co-operative Association, resigned from the employ of the store. Of the remaining three, two were members of the Operating Committee. All three were directly responsible in their store work to the vice-president in charge of merchandise and publicity.

TABLE 13.—TENURE OF OFFICE, POSITION IN STORE WHEN ELECTED DIRECTOR, INITIAL POSITION IN STORE, AND LENGTH OF SERVICE IN STORE OF F. C. A. DIRECTORS, SERVING BETWEEN 1921 AND 1926

Director	Tenure of office	Position when elected	Initial position	Years of service[a]
1	1921	Division manager, main store	Stock boy	26[b]
2	1921–1922	Division manager, basement	Head of shoppers	18[c]
3	1922–1926	Division manager, main store	Wrapper of merchandise	25
4	1921–1926	Executive secretary, Filene Co-operative Association	Director of entertainment, public restaurant	14
5	1921–1926	Merchandise manager, basement	Buyer, men's furnishings, main store	15
6	1922–1926	Publicity manager	Assistant publicity manager	14

[a] As of October 1, 1926.
[b] At time of resignation.
[c] At time of death, April, 1925.

VOTING

As already indicated, the Board of Directors, which includes the members of the Management, is concerned with the determination of general policies.[1] Six months' plans, unprofitable departments, the proportion of indirect expense charged to the main store and the basement, reserve for depreciation, plans for extra remuneration, the work of the Filene Co-operative Association, increases in salaries of the Management—these are some of the topics discussed, voted upon and recorded in the minutes of the Board's meetings.

On the last of these items, increases in salaries of members of the Management, it is interesting, if not

[1] See p. 78.

significant, to find the outcome in one instance at least depending on the votes of the F. C. A. directors. At that time the Management consisted of five members. Four refrained from voting when the proposed increase in their salaries came up; the fifth voted against it. The remaining six directors, including all four nominees of the Association, voted in favor of it. Again, two of the four F. C. A. nominees voted in favor of the bonus system as opposed to general profit sharing.

An examination of the votes of the F. C. A. directors over a long period reveals the absence of any organized stand on their part. On the whole, each seems to have voted as an executive of the business and pretty much in accordance with his specific responsibilities as such. Except in a few instances on the subject of bonuses nothing in their votes indicates that they have felt in the discharge of their duties as directors any particular obligation toward the Filene Co-operative Association. That they included members of the Operating Committee, which stands next to the Management in authority, would fully explain their sharing the point of view of the members of the Management. It is doubtful if they could ever fully sympathize with the rank and file or protect the interests of the latter. Moreover, these representatives of the F. C. A. were appointed to their positions in the store by their fellow directors who were also members of the Management, and hence there could not be entire equality in freedom to express their views at the meetings of the Board.

Behind all these considerations, however, is the vital one that the real power resided with those directors who were also stockholders, rather than with the representatives of the employes, who owned no stock. It was the

stockholders, for example, who had the power to adopt and to abandon a profit-sharing plan. Finally, in the reorganization of 1928, it was again the stockholders who had the power to deprive the F. C. A. of the right to nominate directors and to put an end to the employes' chance of ultimately securing 48 per cent of the common stock at a moment when 100 per cent was soon to have a market value of $40,000,000. This chance, as already explained, was only a chance growing out of provisions in the by-laws of 1912 regarding resale of stock.[1] Added to this lack of power due to lack of control over the stock was the absence of any real pressure from the constitutents of these F. C. A. directors. This in turn arose out of the failure of the whole Board of Directors to recognize a responsibility to the Filene Co-operative Association which would seem to follow from the right of that Association to nominate directors.

OBLIGATION TO THE COUNCIL

F. C. A. directors were ex officio members of the Council. Otherwise, neither in the charter nor in the constitution and by-laws of the Association or of the corporation was their relation to the Council or the membership at large defined. Twice, however, the Council took action which more or less assumed that the directors nominated by the Council were responsible to it. The first instance occurred in September, 1916, when the Council requested its nominees on the Board of Directors for the year 1915–1916 to render an account of their representation during that period. Only one of them, Mr. Benton, responded. In a communication to

[1] See By-laws, Article V, Sec. 9, end of first sentence, p. 504. See also discussion of this section on p. 314.

the Council he stated that only two questions had come up which were of interest to the Association. The first was that of a minimum wage, which had been settled; the second, that of profit sharing, which at the time was still under consideration.

Simultaneously an editorial appeared in the Echo entitled "Our Representatives." It read thus:

> The F. C. A. elects directors of the corporation. Like the policemen on the beat and on the corners, they are servants of the people, honest, that's true. They are answerable to their constituents. They have a platform publicly or privately and they have or should have a record of achievements.
>
> How much does the F. C. A. know about the beliefs and principles of its directors? How much does the F. C. A. know about the action record of its directors?
>
> How much should it know?

The second instance in which the Council acted on the assumption that the directors whom it nominated were responsible to it took place early in 1919, when it passed the following vote:

> In order that the F. C. A. Council may assume its proper interest in store matters through the medium of its directors on the Board of Directors of the corporation, it is recommended that these directors be notified sufficiently early in advance of directors' meetings of the subjects to be acted upon at the meeting and any likely new business to come up in order that they may take it up with the Council if in their judgment it seems wise so that they may properly represent the views of the Association in the directorate.

In reply to this communication the directors unanimously voted that

> inasmuch as the F. C. A. Council apparently does not understand what are the powers and duties of those directors who

are elected on their nomination and is acting on the assumption that those directors are responsible to the Council, some member of the Management appear before the Council and outline the exact powers and duties of the directors.

The vice-president in charge of finance, Mr. Frost, was requested by the directors to consult with the store's attorneys on the powers and duties of the F. C. A. directors and to draw up a statement "which could be presented to the Association through its Council."

Subsequently Mr. Frost reported to the directorate that he had taken up with the store's attorneys the question of the powers and duties of the F. C. A. directors and had been advised that "*those directors were under no obligation to report to the Council on any matter or be guided or instructed by the Council as to their votes.*" Furthermore, he stated, he had read to the Council a letter to this effect from the attorneys and had suggested that, notwithstanding this letter, there was a chance for the Council to discuss informally with the directors whom it had nominated any matters on the calendar and possibly to make recommendations to them or the Board itself.

It was unanimously voted by the directors that Mr. Frost's report be accepted and the matter disposed of.

To the Council and any other members of the Association who assumed that the directors chosen by the stockholders on its nomination owed some responsibility to their constituency, Mr. Frost's report must have proved something of a surprise and disappointment. Under the circumstances, why should any directors at all be nominated by the Association? Was the procedure merely a gesture? Or was there some

thought-out purpose behind it? What did the Management have to say on the subject?

PURPOSE AND ITS FULFILMENT

According to A. Lincoln Filene, then general manager, the nomination by the Filene Co-operative Association of a certain number of directors was a natural step in the working out of the store's personnel policy. In a memorandum explaining this step he said:

> Our employes had been granted large powers to settle vital questions affecting their own interest and that of the business. It was necessary that they should know how to use those powers intelligently. Participation in determining the policies of the business furnished the logical means to this end.
>
> Profit sharing also made it necessary that the employes should have a knowledge as to how the business could and would divide profits if made, and as to the facts if no profit at all were made. Being represented on the directorate made it possible for them to know this.
>
> Furthermore, there seemed to be no better way of showing our faith in our employes than by giving them representation on the directorate. It has been one of our basic ideas that given a body of employes loyal to the business, success was certain. And finally, there is no better training we could give potential future important executives than by their serving on the Board of Directors.

Briefly, then, as indicated by the general manager, it was to serve four purposes that the Filene Management provided for the nomination of directors by the Filene Co-operative Association: first to train employes in the use of power; second, to give them a knowledge about the profits of the business; third, to win their loyalty; and fourth, to train "future important executives."

The first purpose may be said to have been achieved only to the extent represented by those who have actually served as F. C. A. directors. Their number is exceedingly small and therefore represents a negligible percentage of the membership of the Association. The same holds true of the second purpose. Failure of the F. C. A. directors to report back to the membership has denied the latter any authoritative knowledge of the profits of the business, or any real training in thinking about its problems.

The accomplishment of the third purpose, that of gaining the loyalty of employes, is difficult to determine. That much goodwill exists on their part toward the Filene Management, interviews and observation indicated. But to what extent nomination by the Filene Co-operative Association of four of its members to the directorate is alone responsible for it is uncertain. Of the employes interviewed about this provision, some thought it "generous"; others, that "it gave prestige to the Association," that "it showed the Management to be honest and open" and that "it afforded an education to the chosen few." To the great majority, however, this provision was something remote, about which they knew little and apparently cared less. It was not a vital matter to them. They did not look upon it as affecting their individual or group status. Indeed, evidence of any analysis on their part of the functioning of this provision was lacking.

As to the fulfilment of the fourth purpose, training "future important executives," there is no question. Several of those who had served as F. C. A. directors testified that through their participation as such they had gained a great many facts about the carrying on of

the business. Moreover, they had learned much, they stated, by observing and analyzing the processes of thought and the judgments of the other directors and by making decisions themselves.

The purpose of the F. C. A. directors, as defined by another member of the Management, lay in their ability to express the point of view of the store's employes. Certain decisions made with the knowledge of that point of view, he stated, were likely to be more intelligent than without it. The truth of this last statement is not to be questioned. But that the nominees of the Association on the directorate did express the point of view of its members is most certainly subject to challenge.

As interpreted by the president of the corporation, Edward A. Filene, the purpose behind the Association's nominations to the directorate, though closely related to the foregoing definitions, went somewhat beyond them. The original intent, he stated, was to afford the Association training for future participation in the ownership of the business. Naturally this intent carried with it the idea of responsiveness and responsibility on the part of its directors to the membership of the Association. Obviously it was predicated, also, upon the carrying out of the complete plans for employes' participation in profits and in ownership. Failing this, the fact that the F. C. A. nominees were actually minor executives, responsible to the Management, resulted in their supporting the stockholding owner-managers in their final repudiation of these features of employe relations.

CHAPTER XV

STOCK OWNERSHIP

OF THE three principles inherent in the Filene philosophy of industrial relations, i.e., participation by the Filene Co-operative Association in the management, in the profits and in the ownership of the business, the third has been much more tentative than either of the other two. Indeed, it was to become effective, if at all, only after the Filenes ceased to be officers of the corporation. This has not yet taken place. But any likelihood of the enforcement of this third principle has disappeared. Appreciation of the reasons why demands some knowledge of the theory of proprietary control adopted for the store and the history of its operation.

ABSENTEE OWNERSHIP BANNED

Early apprenticed to their father, the Filene sons long before his retirement in 1901 were trained to succeed him. As their idea of the business they wished to build crystallized, they realized that they could be sure of bringing it to pass only by maintaining a controlling interest in its proprietorship and management. Absentee ownership and nepotism, they decided, were perilous. They should be banned. This decision was the result partly of first-hand experience, partly of a study of other organizations.

Their attempt to get things done as they wanted them done convinced the Filenes that during the form-

ative years of the business, at least, they had to be in daily contact with the details of its operation. Few of their employes, they perceived, discharged their responsibilities to the same degree that they did. But employes undoubtedly could be developed to do this.

One of the surest ways of accomplishing this result, the Filenes argued, was for themselves to train them. Clearly they could not do this if absent. Only through close contact with their workers, through the building up of a family-like organization, could they hope, either in the present or in the future, to attain their desired results. For the understanding of objectives, the inculcation of standards and the perpetuation of ideals, they were convinced, required fostering hands.

These convictions were eloquently substantiated by conditions obtaining in businesses where the owners were merely investors. Of these the Filenes had witnessed several striking examples. Built up by the brain and brawn and ideals of one generation, they had been handed over to a second or third. The latter all too frequently lacked the ability, training or interest to carry on. As trustees or directors, in many instances remote from the business, they left the management of it to others. And these others, often strangers to its traditions, ignorant of the aims and standards of the founders conducted it quite at variance with them.

To decree, then, so early in the history of the Filene store, against absentee ownership and nepotism was, from the point of view of relations between employer and employes, to adopt a basic and far-reaching principle. Not merely negatively, but positively, for this decree carried with it two important provisions. The first provided in a non-legal sense for a limited partner-

ship to become effective in 1912. The second opened the way to the possibility that on the withdrawal of the Filenes from active participation in the business their voting common stock would be transferred to employes other than the Management or to the Filene Co-operative Association.

IDENTITY BETWEEN OWNERS AND MANAGERS

While, from the first, the Filenes recognized the necessity of maintaining enough power in the business to give their ideas a fair trial, they saw no merit in monopolizing it. Quite the contrary, they saw serious limitations in doing so. Almost at the beginning of their store career they recognized the need of competent assistants. Nor were competent assistants, in their opinion, those who would merely carry out orders. Rather were they individuals who could think straighter and see farther in many directions than they could—individuals with initiative, courage and character. They wanted associates who would compete with and challenge them, not subordinates. They wanted the broadest practical base of abilities on which to build their business.

Gradually assistants were secured for the more important positions in the organization. As far back as 1902 the store was divided into the four pyramids already alluded to, the minimum number accepted as essential to sound and progressive management. As previously mentioned, each of these was under the supervision of one of these assistants. And Edward A. Filene acted as general manager and A. Lincoln Filene as assistant general manager up to 1908. In that year, at the request of the former, they exchanged positions in the management and corporation but their powers and their

shares in the ownership were equal. To the heads of the pyramids was granted authority not only commensurate with their responsibility, but considerably in excess of it as most owners of businesses would conceive it. Composing, as the heads of the pyramids did, the Board of Trade and later the Board of Managers, they were empowered, for example, to override a veto of the general manager. Moreover, in due time each became a director and a stockholder of the corporation.

Finally, in 1912, when a new corporation was formed, the Filenes invited Thomas K. Cory, John R. Simpson, Edward J. Frost and Louis E. Kirstein to become full-fledged partners or associates. The first three had been in the employ of the store for some years as heads of three of the four pyramids into which it was divided. Mr. Kirstein, an old friend of A. Lincoln Filene, had not previously been identified with the store. He was a successful men's clothing manufacturer of Rochester, who gave up active participation in the clothing business when he became a member of the Filene organization. With the coming of Mr. Kirstein, men's clothing was added to the merchandise of the store. He was made responsible for the merchandising of men's clothing and for publicity; Mr. Simpson, for the merchandising of all other stocks. With A. Lincoln Filene as general manager and Edward A. Filene as assistant general manager, these associates made up the Management of the store.

In August, 1918, after his enlistment for war service, Mr. Simpson resigned. The vacancy created by his resignation has never been filled. In 1925, Mr. Cory, vice-president in charge of the store, died. Nor has any action been taken to appoint his successor. At present,

then, there are but two associates, Mr. Frost and Mr. Kirstein. As previously indicated, Mr. Kirstein is vice-president in charge of merchandise and publicity. The two sections into which merchandizing had been divided were merged upon the resignation of Mr. Simpson. Mr. Frost is vice-president in charge of finance and accounts, and by agreement with the other members of the Management has taken over the duties previously performed by Mr. Cory. At present, then, the officers of the corporation and the Management consist of but four instead of six members: the two Filenes, Mr. Frost and Mr. Kirstein.

In the event of any transfer of their voting common stock, death or retirement, the by-laws made it mandatory upon the associates or their executors to offer it back to the corporation for purchase. A more recent amendment also made it mandatory upon the corporation to buy it. The shares originally owned by Mr. Simpson were held in trust. At the time they were bought back the president of the corporation, Edward A. Filene, was on the point of going abroad. As the disposition of this stock was too important a matter to be decided hurriedly, the suggestion was made that it be held in escrow until the associates could come to some unanimous agreement about it. The suggestion was accepted. A major difference of opinion that occurred between Edward A. Filene on the one hand, and A. Lincoln Filene, Mr. Frost and Mr. Kirstein, on the other hand, made a unanimous agreement impossible. The voting common stock formerly owned by Mr. Simpson, then, seemed to be tied up indefinitely. For several years, it was as if cancelled by the corporation. Dividends on them went back into earned surplus.

In accordance with the by-laws Mr. Cory's voting common stock was also bought back by the corporation. On November 15, 1926, the directorate voted in favor of selling it to Mr. Frost and Mr. Kirstein in equal parts, Edward A. Filene alone dissenting. On November 17, in his absence, the Council of the Filene Co-operative Association unanimously confirmed the vote of the directorate.

The decision is significant for this study because it was a change in the plan of organization of the store. After long experience with the division of the store into four pyramids, each in charge of a separate executive, Edward A. Filene still strongly believes that it exemplifies the most effective form of store organization, and that it would be "safer and better for the plans and ideals for justice to the employes." In this belief he is supported by a recent study made under the auspices of a committee of the National Retail Dry Goods Association.[1]

As actually aligned at Filene's, the work of all these four pyramids is closely related. In a measure, one acts as a check on the other. For example, the publicity pyramid may prevent a buyer in the merchandise pyramid from advertising apparel at too high a "mark-up." To be sure, the buyer should not attempt to charge too high a price for the value he is offering. But he may have made a mistake in one purchase and thereby suffered a heavy loss in the profit of his department. It is only natural that he should try to make up that loss. In attempting to do so, he transgresses the general policies and aims of the store. Permitted to do so, con-

[1] Mazur, Paul M., Principles of Organization Applied to Modern Retailing. Harper and Brothers, New York and London, 1927.

sciously or unconsciously, by his supervisors in the merchandise pyramid, he may be finally checked by the publicity pyramid.

That limitations exist in this type of organization, with its checks and balances, is doubtless true. But be that as it may, as originally adopted by the Filenes, one of its inherent requirements was a separate executive in charge of each of the four pyramids. For Mr. Frost and Mr. Kirstein, therefore, each to be responsible for the direction of two pyramids, was contrary to these original principles of organization. Under these principles Mr. Simpson and Mr. Cory would have been replaced and their voting common stock would then naturally have reverted to their successors.

In explaining the point of view of the holders of voting common stock who favored the change, the comments of A. Lincoln Filene ran something like this:

> The by-laws and agreements are primarily an expression of my brother's leadership. For a number of years he dominated the business. I was younger and readily subscribed to his thinking and decisions. He had evolved certain principles and convictions concerning the ownership and organization of the business which he wished to perpetuate. In 1912 both my associates and I believed in these principles—at least, we thought we did. But things and persons change.
>
> As my brother more and more left the management of the business to the rest of us, we developed convictions of our own. And one of them is that to attempt to fix for two generations the control and organization of a business corporation is extremely unwise. In this age, when our industrial institutions are undergoing significant changes, the control and organization of particular units in the system must remain fluid. The agreement between my brother and myself, for example, whereby we were always to vote our common stock

together, was, I think, in the light of subsequent developments, a serious mistake.

As for the sale of Mr. Cory's stock to Mr. Frost and Mr. Kirstein, it seems to me the only fair and logical procedure. Though in the discharge of their responsibilities they have had power to make their own decisions, practically never have they made any of large importance without consulting me. Always we have arrived at an agreement. Under the circumstances, I have come to know these men through and through and to have confidence in their business ability, their ideals and integrity. If *they* cannot be trusted to carry on the business, who can? Moreover, they have already indicated their desire to have their assistants who are members of the Operating Committee participate in the ownership of the voting common stock.

It was evident that the cleavage in point of view between the president of the corporation and his associates as to the distribution of its voting common stock was a wide one. Its significance for this study relates to fundamental principles of business control as they ultimately affect the participation of wage-earners in that control. The original plan associated control with functions and gave the economic power associated with financial holdings to the position or the function rather than to the individual.

DISTRIBUTION OF PREFERRED STOCK

All the non-voting common stock originally issued and most of the first and second preferred, except that held by the estate of the deceased vice-president, were owned by the two Filenes, their two associates and the families of the latter. However, members of the Operating Committee, other executives, specialists and operators, who had been in the service of the company some

years, individually owned shares of preferred stock. In offering it to them, the company considered it a good investment and also an incentive to extra effort. But any widespread distribution of this preferred stock among employes has not been a policy of the company.

Forty-eight shares of preferred stock belonged to the Filene Co-operative Association. They were donated, not purchased. Aside from the fact that this stock was a good investment, from which the Association realized a cash dividend each year, it had little significance. Few of the members of the Association were aware of the possession of it, though the stock was always accounted for in the annual statements.

THE F. C. A. AND THE VOTING COMMON STOCK

Much more significant than the Association's ownership of preferred stock was the possibility of its acquiring ownership of voting common stock. This, as already noted, arose out of the by-laws of 1912,[1] whereby on the retirement of the Filenes as officers of the corporation and after assuring the remaining members of the Management 52 per cent of the voting common stock the remaining 48 per cent was to be held by other employes of the corporation or the Filene Co-operative Association.

A. Lincoln Filene, Mr. Frost and Mr. Kirstein, though they had originally agreed to the provision, turned against it as endangering the accomplishment of the aims of the business. Nor was Edward A. Filene unqualifiedly for it. He also saw risk to the business in carrying it out "with the present changed controls and

[1] Article V, Sec. 9, Disposition of Stock Acquired by Corporation. (See p. 504.)

changed purposes of those now in control."[1] In view of the problems surrounding the voting common stock, the fact that he and his brother must vote theirs alike meant that in all probability he would eventually vote against the provision. For certainly it raised a number of questions to which the members of the firm apparently could find no satisfactory answer. For example:

1. Would the 48 per cent of voting common stock if acquired by the Association be voted as one block, or would it be divided into smaller blocks of 4, 6, 8, 12 or larger denominations?
2. Who would represent the Association as a stockholder?
3. How many such representatives would there be?
4. What qualifications would be required of them?
5. How would they be chosen?
6. What would be their powers?
7. What would be their obligations and responsibilities to the membership of the Association? To the Council?
8. How would the dividends on the common stock if held by the Association be distributed?
9. If distributed among all the members, was there anything to indicate that these dividends would make for greater responsibility on the part of each individual toward his own particular work and the store generally?
10. What danger was there that one or more representatives of the Association, in his capacity as a stockholder, might play politics with some of the other stockholders for personal advantage and against the advantage of the business?
11. Just how could the progressive accomplishment of the objectives of the business be safeguarded?
12. Would the Association be represented in the management of the business? If so, how?

[1] Notation on proof by Mr. Filene.

Quite obviously, little thought was given in 1912 to the exact methods by which the provision in question was to be put into practice.

To compensate for the practically assured failure of the Filene Co-operative Association to obtain the voting common stock of the Filenes on their retirement from office in the corporation another idea was suggested. This would have set aside as a donation a certain amount of preferred stock, the income from which would be used to establish a home-building fund for employes or to fill other of their needs. But the suggestion was vague. It could hardly be taken seriously until more thought should have been expended upon it.

EMPLOYES OTHER THAN THE MANAGEMENT AND VOTING COMMON STOCK

If the Filene Co-operative Association should not acquire the voting common stock of the Filenes, the other alternative specified in the by-laws, the acquisition of it by employes of the corporation other than the Management remained for consideration.

Among employes other than the members of the Management, the only candidates conceived of as possible purchasers of this stock were the five members of the Operating Committee. They were assuming large responsibilities for improving the conduct of the business. Within recent years, in co-operation with the Management, their efforts had resulted in a marked increase in profit. In recognition thereof they received large bonuses. But quite naturally they would have liked to acquire voting stock. And they had been promised, it is said, an opportunity to do so. As already indicated, four of the five members of the Committee on October 1,

1926, had been in the service of the company ten years or more; and one, over five years but less than ten.[1]

Just how much voting common stock the Operating Committee might be allowed to purchase was questionable. The disposition of Mr. Simpson's and Mr. Cory's holdings and the continuance of the agreement between the two Filenes, were among the determining factors.

FINANCIAL REORGANIZATION OF 1928

In October, 1928, reorganization was fully consummated. First, in the beginning of that year, a suit was started against the trustee of the proportion of original voting common stock formerly owned by Mr. Simpson, for its return to the corporation.[2] This represented 13 per cent of the original voting common stock and in its new assignment Edward A. Filene acquired six of the 13 units, and the remaining seven were assigned to the other three partners, making a distribution of the original 100 units as follows, the 13 belonging to the deceased partner, Mr. Cory, having already been acquired in equal parts by Mr. Kirstein and Mr. Frost:

Edward A. Filene	30
A. Lincoln Filene	24
Edward J. Frost	19½
Louis E. Kirstein	19½
The last three together	7
	100

In the recapitalization, the former three classifications of preferred stock: (1) preferred; (2) preferred; (3) non-voting common, which was really preferred, were turned into one class of preferred; and of common

[1] See p. 108 and Table 20, p. 456.

[2] See p. 310.

stock, 500,000 shares of no par value were finally (by January, 1929) distributed as follows:

1. A. Lincoln Filene, Treasurer; Edward J. Frost and Louis E. Kirstein, Vice-Presidents	250,100 shares or	50.002 per cent
2. Edward A. Filene, President	150,000 shares or	30.000 per cent
3. Members of Operating Committee (5) in lots of 4,000 each	20,000 shares or	4.000 per cent
4. Employes (about 150 executives and specialists selected by the Management and Operating Committee)	4,900 shares or	.098 per cent
5. Public	75,000 shares or	15.000 per cent
Total	500,000	100.000

Of the issue of 500,000 shares of common stock, 100,000 shares were allotted to bankers, and 25,000 of these were bought by Messrs. A. Lincoln Filene, Louis E. Kirstein, and Edward J. Frost to be sold to employes other than the Management at $18 a share, as compared with $38 at which the stock was offered to the public. It subsequently sold at a much higher price in the market. In the actual distribution of the 25,000 shares, as shown in the outline, the five members of the Operating Committee acquired 20,000 shares, 100 were retained by the three managers, and the remaining 4,900 were sold to a small number of 150 employes, chosen by the Managers.

The block of preferred stock held by the F. C. A., as

already pointed out, was retired at $110 a share and re-purchased by the Association in the form of new preferred stock at $100 a share, $104.50 being the price at which it was offered to the public. In the new by-laws no reference was made to the F. C. A., or its right to nominate directors, or to employes' ownership and participation in profits. The associates' agreement of 1913 was cancelled.

NON-FULFILMENT OF EMPLOYE PARTICIPATION IN OWNERSHIP

The loss of the Filene Co-operative Association's opportunity to participate in the ownership of the business may be traced to two causes. In the failure of the original owner-managers to think through the implications of this participation and to formulate a more specific and experimental program for its accomplishment, lies the first cause.

When the provision for the Association's possible participation in ownership was drawn up, it carried the assumption, there is reason to believe, that the Association might receive the Filenes' 48 per cent of voting common stock. Later that assumption was found to be untenable. Viewed, therefore, from the standpoint of the present and in the light of the enormous increase which has taken place in the value of that stock, the provision could have come to pass, it seems to us, only if this transfer had been definitely agreed to in 1912 or earlier or if some other means had been established by which the Association could have accumulated enough funds to purchase this stock. Profit sharing, undoubtedly, could have been so arranged as to have made such an accumulation possible. But as it operated, it had

no relation to the Association's participation in ownership.

The question arises as to whether more vigorous participation in management would not have served as a preparation for the practical application of the principle of participation in ownership. To be sure, the Association possessed large powers for participating in management. But in regard to the more important problems directly affecting it, wages and profits, for example, either it has displayed no initiative or, when it has, its suggestions in several important instances have not been accepted by the owner-managers. Nor have its nominees on the directorate of the corporation had any significance for it. A closer tie-up, then, between the first two principles of the Filene personnel program and the third, that is, between participation in management and profits and participation in ownership, might have enhanced the chance of the latter's being achieved.

The second cause of the failure of the Association's future participation in ownership was the change in regard to this principle which developed among three of the owner-managers. They no longer favored it. In some measure this second cause may be a reflection of the first. If the Association at any time had been able to purchase the stock in question or been otherwise more adequately prepared to participate in ownership, this change might not have developed. Or it may be that the failure of the owner-managers to provide for these contingencies itself contained the seeds of this change.

But whatever the connection between these two causes, in the last analysis the second, the fact that three of the owner-managers no longer favored employe

participation in ownership, was the determining one. After all, in the present state of their enterprise, they had the power, by ownership of a majority of the stock, to grant or deny this participation. That they did not carry out their philosophy to its logical conclusion deprives the business world of the completion of an experiment whose planned principles had promised a valuable contribution.

Nor is the ultimate failure of the third principle of the Filene personnel program, that is, employe participation in ownership, without its implications for the first two principles, employe participation in management and in profits. The Filene Co-operative Association, it must be remembered, had no legal status. Essentially it was a creature of the owners of the voting common stock. Nor had it the power which comes from organized affiliation with workers outside the company engaged in the same occupations. Under the circumstances, could its participation in management and in profits be said to have had any guarantee of endurance? The tendency toward concentration, as opposed to diffusion in ownership, in the major functions of management and in profits would seem to answer this question in the negative.

CHAPTER XVI

THE ASSOCIATION—ITS SUCCESSES AND FAILURES

THE Filene Co-operative Association has been in operation more than thirty years. Viewed across this period, it manifested certain significant tendencies as already indicated in preceding chapters. These may now be summarized from the point of view of the distribution of responsibility within the Association itself and its participation in the management, profits and possible ownership of the business.

DISTRIBUTION OF RESPONSIBILITY

With the growth of the Association the distribution of responsibility among its members has become increasingly differentiated. During its early years the entire membership, assembled in meetings, discussed and decided all important issues. But as the membership increased, these meetings became exceedingly unwieldy. In 1905 a representative council was established to take charge of the affairs of the Association. Since that date, the function of the membership has been limited almost exclusively to electing representatives to the Council, Arbitration Board and certain committees. Nor has any organized plan been made under which these representatives report back to their constituents.

In only a few instances since 1905 has the membership voted directly on questions of policy. And these

for the most part have been on amendments to the constitution. Moreover, from 1908 to the present time very few groups of the membership have appealed to the Council for anything. Suggestions, of course, about desired action have been made by individual members to their representatives on the Council.

The function of election to which the membership of the Association has become so largely restricted, however, has more meaning than mechanically dropping a ballot in a box. The candidates usually personify or stand for certain policies or perhaps a particular side of a controversy. Discussion of issues in an election campaign is thus inevitable. Voting, therefore, should carry with it a consideration and appreciation of the general interests and policies of the Association. To the extent that it does, this exercise by the membership of the power of final decision may be expected to aid in their development and increase their interest in their work and the business.

But with the passing of years, even the elective powers of the membership have become curtailed. During the first decade or so of the Association's history, the personnel of many of the committees was elective. But more and more at least part of it has become appointive. In some instances, the chairman is the only appointed member, the others still remaining elective. Moreover, the choice of candidates allowed voters on ballots has been narrowed. For example, though not typical, only one slate of candidates for the Benefit Society was presented in 1922 when the new administration of that society was inaugurated. Furthermore, direct nominations have given way to indirect ones. The first representatives of the Association

on the directorate were nominated by the membership at large. Later they were nominated by the Council.[1]

The Council. Like that of the electorate, the function of the Council also has become more specialized and restricted. For some years its activity seems to have been limited largely to passing on recommendations made by the executive secretary of the Association and more recently by its president. No longer, as in the beginning, are members of the Council individually so alert to problems which need solution and on which they desire it to take action. They seem devoid of significant ideas for the improvement of their own status or of the business, or else they are diffident about expressing them. Curtailment by the directorate of the Association's participation in determining methods of distributing profits, the growing power of the Operating Committee and the tendency toward concentration of both the management and ownership of the business may be accepted as factors responsible for this state of affairs. So also may the lack of any system by which members report back to their constituents. According to one member, "The trouble is that conditions are too satisfactory. There are no issues." Commenting on this statement, an executive who long has served the Association in various capacities remarked: "To be sure, we are suffering from no burning injustices, but issues exist aplenty. It takes leadership, though, to voice them."

Particularly in its task of supervision has the Council fallen by the way. Periodically its subordinate organizations make out reports. But the Council has taken

[1] In the reorganization of 1928, the privilege of nominating directors was withdrawn from the F. C. A.

little or no heed of them. These organizations, it is true, have greatly multiplied and some of them have grown very large. Moreover, in the absence of any attention from the Council they have become more or less autonomous. At a meeting of the Constitution Committee of the Association which one of us attended, a serious discussion took place as to whether or not the Arbitration Board, the Benefit Society and the Credit Union were not entirely outside the jurisdiction of the Council. Surely it has a large and grave responsibility for overseeing them. Properly to discharge it, however, requires organization, system and the development of a particular method or routine.

In some measure the passive behavior of the Council is to be explained by the presence of a paid staff.

The Paid Staff. The amount of administrative detail involved in carrying on the Association grew so heavy that in 1914 an executive secretary was engaged. Originally the welfare manager, in connection with her other duties, had assumed some executive responsibility for the management of the Association.

In addition to the executive secretary, there have gradually been added a number of paid assistants. He and his staff, as is to be expected, perform much of the executive work of the Association. The officers and Council look to him for it. It is only logical that they should. They have their regular store work to do. With them, their duties in connection with the Association are incidental, avocational. With the executive secretary, on the other hand, the work of the Association is his main consideration.

Moreover, the close and almost constant contact which the executive secretary has with the everyday

operation of the Association puts him in a particularly favorable position to lead in the formulation of its policy. Much is to be said for the contribution to this policy-making of those whose responsibility keeps them in continuous touch with the details of operation.

That its paid staff should bear the burden of managing the Association, is only natural. And that this condition makes for efficiency, is undeniable. But that it has also tended to limit the opportunity of the members to assume responsibility and therefore to participate in management, is equally undeniable.

Executive Offices. Another avenue for developing responsibility among the rank and file has been closed through the choice of officers. More and more are the executive offices in the Association being filled by store executives and specialists. With increasing frequency these persons are chosen as president, vice-president and treasurer of the Association, chairmen of its various committees and nominees to the directorate. It would seem as though "executives for executive jobs" had become the Association's slogan.

Differentiated Responsibility. The changes in organization here indicated have developed in response to the need for administrative efficiency. Size alone becomes an imperative factor in the creation of this need. Comparable with the need for differentiation of responsibility among the personnel of large-scale industry, and among that of the store itself, is that in the work of the Filene Co-operative Association. The volume and proficiency of performance in organizations where responsibility is highly differentiated are greater than in organizations where it is less differentiated.

As applied to the Filene Co-operative Association,

these benefits have been achieved at the sacrifice of widespread participation by the membership in the work of the Association. In fact, two practices of its early days have been more or less displaced. The first, the diffusion of responsibility among the members of the group, has been superseded by concentration of responsibility. The second, the choice of almost any member of the group to serve it, has been superseded by the choice of those who are qualified. Under the circumstances, the tendency of the entire membership of the Association to take part in its whole range of participation in management is less and less apparent. On the other hand, the tendency for qualified members to take part in specific aspects is greater and greater.

PARTICIPATION IN MANAGEMENT

Throughout the history of the Association its participation in the management of the store has been limited very largely to problems of personnel. In relation to the more vital of these, injustices excepted, it has had little weight. It has been chiefly concerned with matters of discipline and welfare. Furthermore, its activity in problems of management other than those relating to personnel has been exceedingly narrow.

Injustices. For several years after the establishment of the Association its participation in management was directed mainly toward the prevention of injustice to its members. As late as 1912 the directors of the corporation expressed their approval of the purposes of the Association as follows:

> 1. To prevent the enforcement by the Management of unjust rules affecting the discipline and working conditions of employes.

2. To prevent unjust discharges or removals of employes.

3. To inaugurate, when needed, new rules affecting the discipline, work or conditions of work of employes.

4. To conduct social and so-called welfare activities of the store without the dictation but with the co-operation of the Management.

5. In general, to enable all of the employes of the corporation to have a sufficient voice in the store government and administration to make it just, considerate and effective, and to develop a healthy atmosphere to customers and to each other.

The early records of the Association contain a number of references to the powers possessed by it to protect its members against possible injury or oppression resulting from the concentration of authority in executives. Apparently these powers were to be used first and foremost to safeguard the rights of the members of the Association. There seems to have been little thought of stimulating it to the immediate formulation of any all-round program concerning the working conditions of its members.

A good reason why participation in management began in this way suggests itself. Experience over a number of years had resulted in the development and acceptance of certain forms of organization and conditions of work as more or less sound and satisfactory. The field in which the voice of employes was to be exercised was not an untouched one. Moreover, all at once to give employes power to inaugurate a complete program governing themselves in their work would be a risk to the business. Employes needed to be trained in the use of power. To begin by exercising it for the prevention of injustice was merely common sense.

The instrument set up to prevent injustice was the Arbitration Board. So effectively has it accomplished this end that it is still regarded by a number of members of the Association as its most vital function. Indeed, to some it is the Association.

Other Conditions of Work. Responsible to some degree for the relative importance assumed by the Arbitration Board in the work of the Association has been the limited use of its legislative and executive powers.

On wages the action of the Association has been negative. It has merely confirmed minimum rates set by the Management. Any more positive participation in their determination it has failed to initiate. Certain occupational groups, however, have asserted themselves in relation to wage problems.

In determining the distribution of profits in the form of bonuses the record of the Association has been considerably less negative. In 1915 it asserted a good deal of initiative in cross-examining the Management about the status of the profit-sharing proposal. Thenceforward for three or four years its activity in planning the distribution of awards was quite vigorous. But since 1919 its role has been that of a passive recipient. This cessation of initiative, however, has been due to no waning interest on its part, but to the decision of the directorate, already discussed. But against this decision the Association has made no protest.

More evenly distributed throughout its history has been the exercise of its power in relation to store rules. Regulations governing discount on purchases, store dress, tardiness and other matters have ever been the subject of vote by the Council. Rather recently it took the stand that it wished to be responsible for the formu-

lation of these regulations and of policies for their enforcement but not for the enforcement itself. The latter it considered a function to be discharged by the executives of the store.

To the establishment and operation of a host of services and activities which we have designated as welfare work, the most extensive use of the legislative and executive power of the Association has been applied. Of these the more significant are the clinic, insurance for sickness and death, the Credit Union, the two restaurants, the library, the Echo and courses of instruction. Indeed, for the last few years the Association has confined itself almost exclusively to welfare work.

Suggestions and Sales Promotion. Since the very early days of the Association it has participated in management through a system of suggestions; and since 1914, through campaigns to promote sales. The direction of its energy toward improving the business has long been stressed by the Management. Toward this end, however, the most persistent and telling efforts of the Association have been made during the term of office of the president elected in 1926. In his first campaign for early Christmas shopping, he was particularly successful. "It is time," he said, "that the Association did something for the business. Too long has it thought only of itself."

To stimulate the Association more actively to concern itself with problems of the business might reasonably have been expected of its nominees on the directorate. But any such responsibility they failed to assume. Indeed, in their capacity as directors they in no sense represented or felt responsible to the Association.

Realizing this, the Council in 1919, as already noted,[1] tried to establish a procedure which would make them answerable to it. But it was notified by the directors that legally these nominees were under no obligation to it. Under the circumstances they did not feel called upon to promote the Association's participation in management or otherwise to improve its status. They were independent of the Association and after nomination beyond its reach.

The failure of the Filene Co-operative Association more vitally to participate in management and the tendency to choose those with executive experience for the more important offices in the Association have been reflected in its participation in profits.

PARTICIPATION IN PROFITS

From the point of view of those receiving awards, the distribution of profits has shown a tendency to cyclical variation. During the first decade of its operation, 1903–1912, profit sharing, it will be recalled, was confined exclusively to executives and specialists. But the 1913 proposal, though never operative, extended it to all employes. Subsequently, however, when an annual bonus was substituted for the proposal, salespeople were excluded from awards. Their commissions on sales, it was contended, were the equivalent. But all members of the non-selling rank and file were eligible for bonuses. Within the last few years, however, the percentage awarded to this group has greatly decreased, while that awarded to executives and specialists has greatly increased.

Another trend in relation to the distribution of profits

[1] See pp. 300–303.

is to be noted. More and more the bonus has represented a larger percentage of the earned surplus. This is to be accounted for somewhat by the fact that larger and larger bonuses have been awarded to executives and specialists as part of their market rate of compensation.

PARTICIPATION IN OWNERSHIP

Much more strikingly in the matter of ownership than in that of profits has the trend of the Association's participation in management reflected itself. In 1912, ownership of voting stock by the Association was a future possibility; now that possibility has completely disappeared. Parallel with this trend and accountable for it, another has developed. This is the increasing concentration of ownership and of the major functions of management.

INDIFFERENCE OF EMPLOYES TO INCREASED PARTICIPATION

Concerned with the trend of the Association, in 1922 the general manager, A. Lincoln Filene, decided to test out the desires of the workers for additional responsibilities. He got together a committee, "chosen at random from the run of employes, and asked for an expression of views as to how far the employes felt moved to take part in the management and improvement of the business." What the general manager really wanted to find out was how much *more* participation his employes, especially the rank and file, wanted *over and above* what they already had. Did they, for example, desire to share in the functions of management other than those directly concerned with personnel, suggestions and sales promotion? If so, how? Did they perhaps want to add

a representative of their own to the Management and Operating Committee? Were they aspiring to the ownership of the business, either in part or in whole?

In his quest for answers to these questions, the general manager was doomed to disappointment. "There was," he states, "no real response. On the contrary, the members of this committee, who were fairly typical of the rank and file, were frankly and unanimously of the opinion that their fellow employes had no desire whatever to meddle in management and control."

"I am sorry," he continues, "to have to admit this disappointment. And the experience of others who have made some such tender to their people is the same as ours. The truth has been brought home to us that the day of full self-rule in industry, as it is understood in government, is still far distant."[1]

That the general manager should have failed to receive any "real response" from the committee referred to, seems to us only natural. Several factors in our opinion made this result inevitable. The first to be considered relates to the obligations of the initiators of the Filene Co-operative Association.

Influence of the Management. The principles upon which the Association rests and the powers granted it to put them into operation came not as a result of any desire or burning interest on the part of employes. That they grew out of the needs of the store is true. But those needs were first recognized by the owners, who evolved the principles and granted the powers accordingly. Nor do these powers exhibit over the period during which they have been in operation a progression in increase. All were granted in 1901 except the right

[1] Filene, A. Lincoln, A Merchant's Horizon, p. 24.

to nominate members to the directorate. This was provided for in 1912 by the owners and incorporated in the by-laws.

Much emphasis has been laid on the soundness of experiments affecting employes which they themselves initiate. The endurance and progress of these are held by some to exceed those of experiments initiated by employers. It may be pointed out, however, that the success of experiments initiated by employers is dependent on their ability properly to think implications through, their willingness to follow them out to logical conclusions, also on their own constant leadership and their education of employes to carry on these experiments.

Foremost among opportunities for employe participation is the determining of wages. Certainly on so vital a matter as basic wage rates the purpose of the Association would lead one to believe in its exercise of more than confirmatory power. Must not committees of the Association, representing the various groups of workers in the store, participate in the processes of determining wage rates if their participation in management is to live up to its possibilities? Granted that wage rates paid by the Filene Management may be higher than those paid by other retail stores in Boston, it is reasonable to expect that workers who had been granted power to determine their conditions of work might have a more positive share in the making of those rates than that represented by merely confirming a rate set by the Management. If they had had such a share, it is probable that they would have developed more initiative about other problems.

Determining the distribution of the annual bonus

also offers opportunity for increased participation by the Filene Co-operative Association. Abandonment of predetermined standards of performance as a basis for distribution of the bonus, in the establishment of which the Association has participated, in favor of the judgment of executives, the Operating Committee and the Management, seems to us a serious retrogression. The reasons advanced by the Management in explanation of this action are undoubtedly strong.[1] But the development of a technique of co-operation between employer and employes is always a complex and difficult task, also a slow one. Further experiment in extending to the Association participation in plans for bonuses or any other scheme of profit sharing adopted, is involved in any thorough application of the principle of employe participation in management.

Qualifications of Employes. Rank-and-file workers, according to our statistical analysis, made up 87 per cent of the Filene employes. Almost three-fourths (70 per cent) were women and girls; and almost one-third (30 per cent) were less than thirty years of age. Of those whose academic education was recorded, more than one-third (37 per cent) had not gone beyond elementary school. Finally, almost three-fifths (58 per cent) had been in the service of the store less than five years.

What opportunity has such a group had to become familiar with the management and ownership of a business like Filene's? It seems safe to say little if any. Contact with the owner-managers and participation in those matters directly concerned with personnel, as well as in suggestions regarding the business and in drives

[1] See pp. 178–181.

for more sales, has served as a means of providing the rank and file with scraps of information about certain aspects of management. But any organized effort periodically to give them more adequate data in relation to the whole store or their particular work in it has been lacking.

Lack of experience, then, in the management and ownership of a business, even more, ignorance of the problems involved, together with lack of training and experience in thinking through what they want from an organization which they serve as employes, are partly responsible for the lack of any "real response" on the part of Mr. Filene's committee and the Association of which it is representative.

Satisfaction of Employes. Closely related to the qualification of employes as a factor in their indifference to increased participation, and perhaps a part of it, is their comparative satisfaction with the status quo. The conditions of employment obtaining in stores similar to Filene's both locally and nationally and the status of their employes offer criteria for Filene employes. In none of these stores, according to testimony, do employes fare better, nor in many instances do they fare as well. This testimony was forthcoming from Filene employes who had worked in or inspected other stores, representatives of the Retail Research Association, executives of other stores who had visited Filene's, state officials, trade-union representatives, students of personnel management and others.

For Filene employes, then, to know—and such information travels fast—that they are as well off, if not better off than employes in other stores, is itself a source of comparative contentment. They have no particular

example to emulate, no established standard to attain. "If only," said one employe, "we had something to fight for, we wouldn't be so apathetic." While contentment has its advantages, devoid of better goals to reach, it has its disadvantage. Certainly it does not seem to stimulate employes to improve their status.

In addition to the Filene Co-operative Association, the Personnel Division of the store management is also to be credited with the satisfaction of employes. As will be shown in Part III, the organization of functions exemplified by this division and the performance of them anticipates issues and grievances before they become problems for the Association.

Structure of the F. C. A. The growth of the personnel of the store and the increasing subdivision of labor have been accompanied naturally by a differentiation in conditions and problems affecting employes. Fewer and fewer conditions and problems in the store apply to all workers. More and more has the occupation become the focus around which they have become concentrated. But no adjustment to meet this change has been made in the structure of the Association. Representatives to the Council are chosen geographically. It is, of course, possible for a representative from one occupational group to represent another. But problems of duties and wages have been voiced by occupational groups and dealt with entirely outside the Council. This raises the question as to whether lack of definite provision for representation by occupational groups might not in some degree account for the failure of the Association to engender in its members a stronger desire for responsibility.

That the general manager himself was cognizant of

the problem of organizing the Filene Co-operative Association to achieve more effective participation in management, at least on questions other than those affecting personnel, is indicated by the following remarks made at a meeting of the Association. This was called in May, 1926, to discuss "What Stands in the Way of a Better F. C. A.?"

It may be that the need is for new devices within the F. C. A.: (1) to bring it closer to the individual employe; (2) to bring the organization as a whole closer to the ideal which the Management has always conceived for the F. C. A. as a vital directing force in the business.

Such a piece of machinery might be the following. Suppose there were created for each of the important functions of the store an F. C. A. committee such as a Main Store Merchandise Committee, a Basement Merchandise Committee and a Men's Store Merchandise Committee; a Main Store Service Committee, a Basement Service Committee and a Men's Store Service Committee; an Employment Committee, a Training Committee, a Delivery Committee, and so on.

Suppose that to each of these committees were elected, by popular election, four or five members representing the non-executive employes. This group would meet at stated intervals with an equal number of the leading executives covering the field with which the committee was supposed to deal.

In these various committees there would be discussion of merchandising policies, service policies, or whatever field the committee was to deal with. The general procedure would be to draw forth from the non-executive employes criticisms and suggestions of the policies pursued in a particular field.

There would then be a general give and take between both sides of the committees on these subjects, which might result in a report setting forth the committee's views or, if necessary, a report setting forth divergent views within the committee, a copy of which would be sent to the executive secretary of the

F. C. A. and another copy to the store manager or publicity manager or merchandise manager or other appropriate member of the Operating Committee.

Suggestions emanating from these advisory committees would be discussed as part of the regular business of the Operating Committee.

The functions of these committees would be entirely advisory and suggestive. They would provide a more direct means of self-expression on the part of the non-executive employes for the good of the business than is now provided through the F. C. A. Council.

The F. C. A. Council is relatively small in number and non-specialized in function. It can serve very well for discussing relations within the store. It is not a properly devised body for drawing out continuous suggestions from employees from this, that or the other division of the business as to ways of improving the operation of the business.[1]

To the general manager's statement that the Council "can serve very well for discussing relations within the store," no exception can be taken. But that it has not tried to initiate action on the most vital of these relations, has already been indicated. Nor have any steps been taken to put the foregoing suggestions into effect.

Risks to Employes. Also to be considered in relation to the indifference of employes to more responsibility are certain risks which it involves for them.

Salespeople receive a commission on their sales. Time spent during store hours on activities of the Association means absence from their department, loss of sales and consequently of commissions. Some salespeople object to this loss. Frequently the suggestion has been made that in some way it be made up. But no action has been taken to see that it is.

[1] Stenographic record.

Furthermore, the testimony quoted below indicates that employes who have spent time on the work of the Association have felt that they have incurred the animosity of their executives.

At the meeting previously referred to, which discussed "What Stands in the Way of a Better F. C. A.?" its retiring president closed his remarks by saying:

> People decline to do F. C. A. work because of the attitude of their executives toward F. C. A. work, and it is something that should be overcome. When asked to help they invariably say, "I should like to give the time to it, but it has been my observation that people in my department who give their time to the F. C. A. get in wrong with their executive, get transferred or are eventually out of a job." Occasionally I would find an individual who used to give a lot of time to F. C. A. work, and when the question of increase or promotion came up they were adversely affected by the time they spent away from their job. So far as I am personally concerned, those times when my bonus was satisfactory I don't think my work in the F. C. A. had anything to do with it; and those times when it wasn't I think I have known the cause. In other words, I do not feel that my F. C. A. work affected my compensation or bonus one way or the other, but there were people who told me during my term as president of the F. C. A. that they would like to work for the F. C. A. but they felt that they would be "soaked" in their bonus or held back from promotion.[1]

The first chairman of the Tardiness Committee, Gertrude Kilpatrick,[2] long a diligent and active participant in the work of the Association, stated:

> I have just had experience on the same subject that Mr. Jones[2] spoke about, and that is the executive's attitude toward

[1] Stenographic record. [2] Fictitious name.

the F. C. A. I took a new position six weeks ago, and three very good friends of mine—two of them in the store and one outside—said these things to me. One said, "Now, Gertrude, cut out the F. C. A." The second said, "I hope when you get on this new job you will lay off F. C. A. work and get down to business." And the third said, "Now I hope those avocations will be laid in the background and you will begin to make money." Those were three terrible things for people to say to anybody, particularly to me, because the F. C. A. made me what I am today. What a high school or college education has been to other people, the F. C. A. has been to me. That was a terrible thing to say, when I really thought I was doing an earnest job helping somebody.

I thought of the Tardiness Committee and the friends [enemies] I made when I was on it, when I heard about 70 people who were late three times telling me why they were late when they should have been telling it to their executives. I thought of the times when I used to go downstairs without any luncheon after the meetings because I had no time. I thought of the time spent going to insurance meetings. I thought of the remark made by [one of the Managers]. He said, "We are all in the store for just one thing—the money we can get out of it," which I thought was a pretty harrowing remark to make. I thought of the people who have been conspicuously successful, and I said to myself, "You are either an awfully bum buyer or you have dissipated your energies."

I think it is a practically impossible thing, particularly for a merchandise executive, to give time to the F. C. A. Yesterday in Mr. Frost's office there was a meeting of the governing board of the Insurance Commission. Dr. Wainwright was here from the State House on a matter that concerned everybody in the F. C. A. Mr. A. L. Filene said that every buyer must be on the floor between eleven and four o'clock, so Gertrude couldn't go to hear Dr. Wainwright because she had to be on the floor.

I have a stock boy who plays in the band. He plays until

9.20 every morning and then goes on patrol duty out by the elevators, and the department isn't dusted unless the floor superintendent borrows a boy from some other department. I am supposed to be a good F. C. A. member, and I wouldn't dare interfere with the band, but I do wish the boy didn't have that talent.

I don't agree wholly on the F. C. A. bonus; but the two years when I was chairman of the Tardiness Committee, when we were bragging to all the R. R. A. stores that our tardiness went down from 11 to somewhere around 3 per cent, I got no bonus. I believe absolutely in the F. C. A., and I believe it is a very definite contribution to the store. I have given it every bit of time I could give both during store hours and after hours.[1]

The store manager, who was the representative of the Operating Committee at the meeting, spoke in part as follows:

I want to say a word about the intensely interesting talk Miss Kilpatrick gave, because it points a moral. She told about the time she took, and we all know that she has given a great deal of time and a great deal of earnest effort to F. C. A. work. She told us that she was one of the executives that we are complaining about. She objected to that boy playing in the band. There certainly must be some truth in this complaint, because she is telling the truth. There are instances which Mr. Jones said he could point out very easily. That leads us to the conclusion that there aren't enough people doing F. C. A. work, and if the work of the F. C. A. were spread out thinner among all of us there would not be so much work for each one of us to do.

If we make work in the F. C. A. fashionable we will have a much better F. C. A. We will have individual parts of F. C. A. work done well indeed. The criticism that Miss Kilpatrick

[1] Stenographic record.

made and Mr. Jones touched upon—the attitude of the executive who has a person doing a great deal of F. C. A. work—must be corrected. Mr. Filene will tell you the difference between a democracy and an autocracy. Certainly I think we must discharge our responsibility to our democracy as well as the average voter discharges his duties to his government.[1]

Finally the general manager, A. Lincoln Filene, apropos of Miss Kilpatrick's comments, said:

I don't want to let what I have to say interfere with my referring to Miss Kilpatrick. Gertrude Kilpatrick has little to blame herself for in her service to the F. C. A. If we as a Management neglected to recognize that she had qualities which she could have used to better advantage, we as a Management are to blame for not having discovered her qualities. I think Gertrude will agree with me that if it hadn't been for the F. C. A. work and the contacts which she made in contributing to those she worked with and the pleasure and enjoyment she got out of it, she wouldn't be the Gertrude Kilpatrick she is today. One of the committees she now serves on is, I believe, one of the most important state commissions we now have. I think that in itself is a payment for the kind of service she wants to give to those with whom she associates. There are many other things which we would like to say which would seem to overcome some of the disparagement which she might have carried in her few words to you.[1]

Interviews with executives confirmed the foregoing testimony descriptive of their attitude toward participation by their assistants in the work of the Association. Attendance at meetings, they claimed, took time needed for work. The flow of business, however, in a store like Filene's, is by no means even. There are periods when assistant executives or other employes can easily be

[1] Stenographic record.

spared from their duties without detriment to them. These periods, the executive secretary of the Association testified, are the ones chosen for meetings. But it must be remembered that, to employes who hold positions entailing large responsibilities, time is a very important consideration. And these employes are the most desired, at least for the chairmanships of committees.

More significant, perhaps, than the complaint that the work of the Association takes too much time is the one that attendance at committee meetings tends to break up work habits and destroy discipline. If an employe has a meeting to attend, he is likely, it is argued, to have his mind on that rather than on his work. Then, too, the atmosphere of committee meetings is a relaxed and informal one. Employes enjoy it and are frequently reluctant to return to their work. When they do, their attitude may be such as to have a demoralizing effect on their fellow-workers. To determine to what extent this argument held true, was practically impossible. But that it weighed with executives and had its effect in deterring employes from participation in the work of the Association, is not to be doubted.

To offset the risks incurred by employes in assuming responsibility connected with the Association, an attempt has been made to reward them for it. Notation of their committee or other activities is now made on their master cards.[1] And it has been suggested that special bonuses be awarded for meritorious service in the Association.[2] Also an effort is being made to dis-

[1] See pp. 466–469.

[2] This suggestion was put into effect in the bonuses awarded for 1926. They were distributed in April, 1927. Twelve members received an extra award in recognition of their work for the Association.

tribute the work of the Association more widely among its members.

Desires of Store Executives. Specific measures to overcome the reluctance of members of the Association to participate in its work are all very well. But can they be particularly effective against a desire on the part of important executives to divert the Association from the use of its more substantial powers and to limit it to welfare activities? That such a desire exists, interviews indicated.

Store executives have been employed who have had either no philosophy of relations with employes or else one different from that represented by the Filene Cooperative Association. Never have they come to accept the latter. The chief objectives of some with major responsibilities have been their own individual advancement, their acquisition of a larger share of the profits and of common stock and the maintenance of their own conception of authority. To the attainment of these objectives the Association has seemed to offer an obstacle. If it stands for anything, it is for the diffusion rather than the concentration of management, profits and ownership.

Lesser executives have also felt that the Association weakens their authority. They would probably like, therefore, to cut its powers to a point where they offer no problem. Apparently in sympathy with this point of view as well as with that of the other executives mentioned above, one of the members of the Operating Committee remarked, "It is the individual that counts, not the group. What we need in this store is stress not upon the F. C. A. but on individuals—on executives and potential executives."

With the view that the individual must be given attention, we entirely agree. After all, he is the unit of which the group is made up. Nor do we wish to minimize the importance of executives. Without question, in any organization they are key persons. But the point which needs to be emphasized, it seems to us, is their qualifications.

Where, as at Filene's, an organized relation with employes is maintained, executives have to be particularly intelligent and skilful. As Edward A. Filene has often pointed out, essentially their function is that of a teacher, an educator in the true sense of the word. And no small part of their fitness is their ability to learn from their subordinates, to tap and develop the latter's contribution to the business. But most important of all, and a premise to these requirements, is the capacity of executives to understand, sympathize with and identify themselves with the philosophy behind the Filene store and its relations with its employes.

If, then, the Filene Co-operative Association presents a problem to executives because they lack this capacity, should the Filene Co-operative Association be cut to fit them? Rather would the solution seem to be in the selection and training of executives who can appreciate the philosophy on which the store was founded.

PART III

THE PERSONNEL DIVISION OF THE STORE MANAGEMENT

[AS OF JANUARY, 1927]

CHAPTER XVII

ORGANIZATION OF THE PERSONNEL DIVISION

IN CONTRAST to the Filene Co-operative Association, often referred to as the employes' side of personnel work, the Personnel Division is usually thought of as the Management's side. It consists of two departments, Employment and Training. Supervision of these two units and the co-ordination of them with the work of the Filene Co-operative Association are the responsibilities of the personnel superintendent. They are delegated to him by the store manager, to whom he reports and who in turn is accountable to the vice-president in charge of the store.

The staff of the Personnel Division numbers 11. In addition to the personnel superintendent, who also acts as employment manager, and his secretary, there are three assistants in the Employment Department. These consist of a man who selects the men and boys, a woman who selects the women and girls, and a record clerk. The personnel of the Training Department is made up of the director, assistant director, three instructors and a secretary.

Clear and comprehensive is the statement of the duties of the Employment Department as defined in the store policies. According to this, an Employment Department shall be maintained sufficient to:

1. Establish and maintain adequate connections with the best employment resources.

2. Select employes adaptable to their work and capable of development.

3. Rate them individually and periodically.

4. Transfer and promote them as advisable and supervise the exit from the business of those who are not fitted for their work or who leave for other reasons.

5. Study occupational and wage standards and supervise their maintenance.

6. Keep easily accessible records of attendance, punctuality, earnings, ratings and each individual's store career.

These duties and the history of the Training Department and, in connection with them, the limited extent to which employes participate in the work of employment and training will be discussed in succeeding chapters. Unfortunately, the records do not admit of any historical treatment of the Employment Department.

POWERS

Derived from the vice-president in charge of the store, through the store manager, the authority exercised by the Personnel Division is vested in the personnel superintendent. He delegates to his assistants as much of it as is desirable or feasible for the carrying out of their duties. As stated in the store policies:

The personnel superintendent has sole power to hire employes and to give final decision on Employment and Training Department matters, subject to orders of the vice-president in charge of the store. Such powers may be delegated to his assistants.

The personnel superintendent is responsible for hiring all employes, although individuals considered for employment must be acceptable to the head of the department to which they are assigned before they are considered permanently

placed. Where there is a difference of opinion between the department head and the personnel superintendent, final decision shall rest with the vice-president in charge of the store This power of decision shall obtain not only in the hiring of new employes, but also in effecting promotions and transfers. And it is the responsibility of the vice-president in charge of the store to see that all incompetent persons are replaced by competent and efficient employes.

In the budgeting of payroll expenditures the foregoing powers of the personnel superintendent are subjected to limitation. Not only are executives themselves expected to keep within the limits of expense predetermined for their departments, but so also is the Personnel Division. To make certain that neither exceeds these limits, requisitions for additional employes or for replacements at an increase in salary over that formerly paid, changes in wages, transfers, entrance and removal orders must be passed upon by the Expense Control Department[1] or the store manager or both. The payroll, however, for non-executives in the selling organization is exempt from this rule. Changes in it may be made by the personnel superintendent without confirmation. The reason for this exemption is to be found in the fact that this payroll bears a fixed percentage to sales. If they increase greatly, additional salespeople may be required and employed without disturbing the percentage. If, on the other hand, sales decrease, fewer salespeople may be necessary to serve customers and to maintain the prescribed percentage of selling cost to sales.

In an audit of the Personnel Division made in March, 1922, by the Retail Research Association,[2] it recom-

[1] See p. 86.

[2] See pp. 413–414.

mended that "the control of personnel expense be a direct activity of the Employment Department" and that "all figures for the use of the Department in the control of personnel expense be prepared by the Comptroller's Division." The adoption of this recommendation, it was argued, would furnish the Personnel Division with a measurement of its effectiveness and at the same time result in more constructive work. To quote from the Association's report:

> An interesting difference in the administration of personnel work exists in Filene's as compared with that in other R. R. A. stores in that payroll expense control is centered in the Expense Office instead of in the Employment Department. The existence of this responsibility in the personnel divisions of other stores has resulted in their being able to show a dollars and cents measure of their work to the Store Management.
>
> . . .
>
> As long as it is deemed advisable to lodge this responsibility in the Expense Office, the Employment Department for the most part will never be anything beyond merely a placement bureau because the decisions made by the Expense Office on labor requisitions and department payroll expense are decisions that [would] bring growth to the Employment Department and result in constructive personnel work through contacts with department heads.

Notwithstanding these arguments, the recommendation was not adopted.

Discharge. As a protection against unfair dismissals, the Personnel Division has been granted no authority to discharge an employe. "The vice-president in charge of the store only," state the policies, "may finally approve discharge from the store." Any department head, however, "may remove any employe *from his de-*

partment for cause." As indicated in Part II, further protection against unjust discharge and removal is provided by the Arbitration Board.

It is also stated in the policies that

> it shall be our policy to notify employes of their unsatisfactory work sufficiently in advance of proposed discharge to allow for possible improvement. In the case of executives, a résumé of this warning (which may be either verbal or written) shall be filed with the employe's record in the Employment Department. If any definite date is set (before which time the executive shall show satisfactory improvement in work or be discharged), the department or pyramid head shall notify the vice-president in charge of the store, who will interview the executive before the removal order is put through.

STATUS AND DEVELOPMENT

It is evident from the foregoing statement of its powers that the Personnel Division performs principally a staff function. To the Management, it serves as an advisory and research agency, submitting for consideration and adoption policies and plans in relation to personnel matters. To executives, it acts as a service station, assisting them in the selection, placement and training of workers, in devising and keeping personnel records and otherwise counseling and helping them with personnel problems. More and more is the Division focusing its attention upon the executive as the instrument for the carrying out of personnel policy and the progressive development of better industrial relations. Thus it may be said that the control of personnel administration is centralized, but that its operation to a considerable degree is decentralized.

Few companies have given as much emphasis and

attention to the functions pertaining to personnel as has Filene's. This has been illustrated by the development in the organization of these functions. In the beginning the Filenes themselves selected and trained each new employe. As the store grew and a number of executives were employed, these latter usually selected their own assistants, subject to the approval of the general manager or a superintendent who was employed as long ago as 1890. In this stage employes were trained by their executives and through meetings held by William Filene or his sons. Just when employment became centralized and a special department for this purpose was established, the records do not indicate. Indeed, very few were found which related to employment. There is evidence, however, that an employment department was operating as early as 1903. The significance then ascribed to it was shown by the fact that the head of it was included in the membership of the Board of Trade, the precursor of the committee of six which later became the Management. Less pressing than employment, training did not become an independently organized function until 1906. But from 1902 to 1906 a good deal of training was given by the director of welfare.

In 1914 a noticeable advance was made in the status of the employment and training functions. In this year the Employment and Training Departments and a newly created Research Department, which later became an independent unit, were made directly responsible to the vice-president in charge of the store. Heretofore, the first two had been under the direction of the superintendent of employes. This transfer put them in

a more favorable position for the effective development of their functions.

As a result of the emphasis given to personnel administration during the World War, after the Armistice personnel work at Filene's was still further integrated and its staff enlarged. The clinic,[1] which had evolved from a small medicine chest in the superintendent's office, together with the Employment and Training Departments, were combined into a Personnel Division. To head this, a personnel superintendent was employed who was made directly responsible to the vice-president in charge of the store, and a member of the Operating Committee. Since the Employment Department was in charge of an employment manager and the Training Department in charge of a director of training, the personnel superintendent was free to supervise and improve the methods of their work. When, in October, 1921, he was promoted to the newly created position of store manager, or assistant to the vice-president in charge of the store, he carried over with him responsibility for the administration of the Personnel Division.

In May, 1923, the Management, again feeling that personnel was a sufficiently important function to demand the full time of an executive of experience, appointed a new personnel superintendent. Upon his resignation, the status of the position was raised by the employment of a successor at a salary of $15,000. But with his departure from the store in the summer of 1925, the Personnel Division suffered a demotion. Supervision of the incoming personnel superintendent reverted just prior to the death of the vice-president in charge of the store to his assistant, the store manager,

[1] Now under the supervision of the F. C. A. Benefit Society.

who still retains it. Furthermore, the employment manager was dispensed with, the personnel superintendent assuming his duties.

ADVANCE PLANNING AND COST

Like other sections of the business, the Personnel Division makes out in advance twice a year its program and budget for the ensuing six months. These are acted upon first by the Operating Committee and then by the Management.

The expense of maintaining the Personnel Division for the fiscal year 1926 amounted to $51,532. Of this about 45 per cent was charged to the Employment Department and about 55 per cent to the Training Department.

CHAPTER XVIII

RESOURCES AND SELECTION OF LABOR SUPPLY

THE first two duties of the Employment Department, as specified by the store policies, are the development of adequate sources of labor supply and the selection of employes. In the first of these two functions, as will be indicated later, employes participate very little.

Comparatively early in its history Filene's felt that it could not build up its personnel to the standard to which it aspired through hit-and-miss applicants "at the gate." Some positive and constructive effort in developing employment resources was desirable. As a result of the attention given to this problem, the following policy was adopted:

> Resources for securing employes shall be so developed as to keep a reasonably constant stream of capable people applying at the Employment Department for positions and to have available in addition good sources of information regarding the availability of capable, well-trained people.

The word "reasonably" in the phrase "to keep a reasonably constant stream of capable people applying at the Employment Department" is susceptible of wide interpretation. Applied carelessly, this policy would result in waste of time, effort and moral fiber to the great majority of those who make up the "stream." Moreover, too great consciousness of such a policy on

the part of those already employed in the store might have its deleterious effects upon them. Their confidence in their bargaining power and their security of employment might be diminished. With all the evidence, however, that exists to attest to the practices of the company in improving the personnel of the business, it is probably not fair to construe the statement of its recruiting policy too literally. It must be considered in relation to that of its competitors. In actual practice, it seems to us more intelligent and more socially minded than that of other stores we know about.

Two different aims are exemplified by the Filene recruiting policy. The first is the development of resources; the second, the maintenance of information about prospective workers.

DEVELOPMENT OF RESOURCES

Much less has been done at Filene's in developing employment resources than in developing merchandise resources. The latter have been the subject of more careful study. Through periodic analysis, the relative value of the merchandise resources utilized can be and is ascertained. The Employment Department explains its lack of any comparable analysis and evaluation of labor resources by its absence of any need as far as rank-and-file workers are concerned. And the employment service of the Retail Research Association, it states, is an excellent source from which to secure executives and staff specialists. Particular resources utilized by the Employment Department are briefly discussed below.

Employes of the Store. That the employes of an organization provide the best source from which to fill

positions above the rank and file, is an accepted principle of sound personnel administration. This principle is expressed through a promotion policy. Such a policy has long been in operation at Filene's. And definite means, such as the rating system and resource training, have been instituted to make it effective. These will be referred to later.[1]

Employe Acquaintances. Of the other sources which the Employment Department has developed to supply its demand for labor, acquaintances of workers in the store are perhaps the first to be considered. No systematic method, however, of recruiting workers through those already employed has been developed. But it is generally understood that the Employment Department will always be glad to interview anyone recommended by a Filene employe. Those who are working in the store, it is believed, know something of its personnel standards and the requirements of various positions. In all probability they would hesitate to jeopardize their own standing by recommending persons who were unfit or otherwise unsatisfactory. Then, too, to have one's friends in the store makes it a pleasanter and more desirable place in which to work.

It was estimated by a former employment manager that about 16 per cent of those engaged in any one year at Filene's were sent directly or indirectly to the Employment Department by friends or acquaintances already employed in the store.

Employment Department of the R. R. A. In securing executives and staff specialists the Filene Employment Department, as already stated, has found the Employment Department of the Retail Research Association

[1] See pp. 371–378, 407–409.

of great assistance. The office of this department is located in New York City and is the recipient of many applications for employment in stores belonging to the Association. Some of these applications come from executives previously or already employed in some of these stores, for transfer to others of this group.

Schools and Colleges. Secondary schools in and about Boston and colleges in New England have long been recognized by Filene's as excellent recruiting stations. Frequently in former years, Edward A. and A. Lincoln Filene and various members of their executive staff have addressed groups of students on the employment opportunities offered by the store. Moreover, in order better to bridge the gap between school and store work, the Management has not only co-operated in the establishment of training for store occupations but has taken the initiative in promoting it. In fact, the Filenes were largely responsible for the introduction of salesmanship classes in the evening schools of Boston and later in the continuation and high schools. Also, they and their associates have given cordial support to the development of the Prince School of Salesmanship now affiliated with Simmons College. Furthermore, as a means of stimulating the interest of students in future employment in the store, they have given prizes to schools for compositions on subjects related to store work and have been co-operative in supplying information through interviews and documentary material.

Employment Agencies. Like most retail stores, Filene's secures some workers, though comparatively few, through employment agencies. Theoretically, the Filene Employment Department favors non-profit-making employment services such as the State Employ-

ment Office. Practically, however, according to the present personnel superintendent, this office is of little service. "The type of worker whom we are seeking," he stated, "does not frequent it."

As to profit-making employment agencies, Filene's prefers not to patronize them. It deprecates the fact that the applicant must pay a fee to obtain employment. At the same time, the private agencies have demonstrated their ability to select desirable people. Since these agencies frequently send representatives to the store to solicit business, the Employment Department is willing to interview applicants referred by them.

Classified Advertising. Only when every other means of securing employes has failed, does Filene's resort to classified advertising. For a recent year the cost of this advertising amounted to $420.

Maintenance of Information about Prospective Employes. The Employment Department maintains a file of the application forms of all those whom it wishes to consider for future vacancies. This file is usually referred to as "the waiting list." It is arranged according to the occupation for which the selector judges the applicant to be best suited. Once a month the selectors review all application forms in the waiting list which are three months old, to determine whether they should be retained.

Theoretically, those on the waiting list should receive consideration before more recent applicants. But practically, so few of the former are available when notified of a vacancy, that selectors often give preference to applicants on the spot. Moreover, requisitions for new or additional employes are usually urgent. This fact militates against the use of the waiting list. However,

by reducing the number of these emergency and hurry requisitions, it will be possible for the Employment Department to make more use of this list.

SELECTION

After developing resources, the next responsibility with which the Employment Department is charged is "to select employes adaptable to their work and capable of development."

The aim of selection is so to adjust the applicant to the store as a whole and to a particular occupation that the maximum satisfaction will result to both employer and employe. An essential in the achievement of this aim is knowledge of the two elements involved: first, the store and the occupation; and second, the applicant.

Store Specifications. The personnel aim of the Management and the minimum requirements to be met by each employe have been set forth as follows:

> It shall be our policy to maintain such a high standard of personnel in the force of this store that the greatest number of the most intelligent class of applicants shall be attracted. We believe that a high standard of employment can best be maintained by strict adherence to the following requirements:
>
> Age. No male shall be employed who is less than sixteen years of age. No female shall be employed who is less than seventeen years of age, except that a girl of sixteen may be hired if she is a high school graduate.
>
> While these ages shall be considered as minimum, preference in employment shall be given to more mature persons, other things being equal.
>
> The employment of men over fifty and women over forty-five years of age shall be avoided when possible. When employed a waiver of possible Service Fund Benefit may be required.

Our analysis of the payroll for the week ending October 2, 1926, as already indicated, shows that the first of these specifications was fulfilled. No employe was recorded as less than sixteen years of age. Only four boys and six girls were sixteen but less than seventeen years of age. Of the four boys, three were recorded as having attended but not having been graduated from high school, and one as having attended but not having been graduated from grammar school. Of the six girls, two were recorded as high school graduates and four as having attended high school.

Education. No person shall be employed who has not had a grammar school education or its equivalent; exceptions to this rule being porters, alteration employes, restaurant employes, drivers, coal passers, firemen, oilers, cleaners, laundry employes and toilet room attendants, manufacturing employes, watchmen and elevator operators; also if any applicant for work has had ten years of experience we may waive requiring a statement of his school experience and history.

Exactly to what extent these specifications are met it is impossible to say. Records of education in many instances are indefinite, and a number of employes had entered the service of the company before any educational requirements had been set. However, the distribution of employes in three groupings, according to grade of school reached, as indicated in Table 3, page 97, is somewhat illuminating.

Character. Every proper means shall be employed to assure ourselves of the honesty of our employes.

Any personal fault which affects the employe's business efficiency so unfavorably as to place him below the required standard of efficiency shall cause him to be rejected.

References, discussed on page 370, are the only means used to insure the honesty of new employes. The second part of the above specification is carried out by executives in the regular performance of their functions.

Appearance. Every person coming within the view of customers shall present at all times a well groomed appearance, shall be clean and neatly dressed in such manner as may be specified by the store rules.

The interview furnishes the first and perhaps most direct means of fulfilling specifications as to appearance. "I always," said the selector of women applicants, "ask prospective workers who are to come in view of customers to take off their hats. Hats are risky; they make a great difference in appearance—sometimes for the better, sometimes for the worse."

On another occasion the same selector said:

I have just interviewed a young woman who I think would make an excellent salesperson in the Millinery Department. But two of her front teeth were out. Naturally I couldn't employ her. I did suggest to her, though, that I would be very glad to try her out when she had her teeth fixed up.

Contact with customers and fellow-workers who are fastidious and the continuous handling of new and interesting merchandise operate to make most workers in the store careful about their appearance. Supervision in relation to dress regulation serves further to insure the carrying out of prescribed requirements.

Experience *versus* Future Value. When a choice is to be made between one who knows how to do the work in a position and has no prospect of growth and one who lacks the detailed knowledge but has mental training and good prospects for future development, it shall be the policy of the store to pick the latter.

Selectors testified that they tried always to judge applicants with reference to their future value to the store. Academic education, occupational history and general impression, they stated, furnished them with a basis for judging future value.

Occupational Descriptions. In addition to store specifications there are also occupational requirements to be fulfilled in the selection of workers. Record of these requirements is usually referred to as an occupational description. It consists of two parts. The first is a statement of the duties to be performed and of various conditions pertaining to their performance. The second part is a record of the essential and desirable qualifications to be fulfilled by the worker engaged in the occupation under consideration.

Only for the second part of the occupational description has the Filene Management ever held the Employment Department responsible. "The qualifications needed to fill each position," stated a former edition of the store policies, "shall be carefully studied—and, after approval by the head of the pyramid, stated in writing." The 1926 edition of the policies, however, contains no such statement. It merely provides that the director of training shall "furnish the personnel superintendent such job analyses as may be required."

Much has been done at Filene's and over a long period of time in defining the duties of various positions and the personal qualifications required to perform them. These definitions, however, have been made almost entirely from the point of view of training and by or under the auspices of the Training Department. The Employment Department itself has never been engaged in carrying on this task. Accurate descriptions of occupa-

tions and of the personal qualifications required to perform them are essential to the work of both the Employment and Training Departments. But however much the effort which has been expended in this direction at Filene's, and however great a quantity of occupational data exists, the fact remains that it is not at present organized in any usable form in or for the Employment Department.

This does not mean that the personnel superintendent or the selectors have no basis for placing workers. They have access to the data compiled by the Training Department and very close contact with its staff. Moreover, members of the Employment Department usually have been employed in various positions in the store. Then, too, in the course of their interviewing they are continuously observing and making judgments about executives and workers. And finally, through daily experience in filling requisitions for employes, they necessarily gain knowledge of the duties entailed in and the personal qualifications required by many if not all the positions in the store. But however comprehensive this knowledge on the part of one or all of the selectors, it does not fulfil the function of the organized and recorded information represented by the occupational description. This supplies a basis for standard practice.

Also, it must be remembered that the personnel superintendent and selectors are not permanent fixtures. Changes occur in the personnel of the Employment Department as in that of other departments. If, as has happened, a personnel superintendent or selectors are employed from outside the store, no organized body of fact is available to enable them to perform their duties intelligently and economically.

Essential as they are, too much, however, must not be claimed for occupational specifications. Duties and working conditions are fairly objective things and can be set down on paper. But the personal qualifications required to perform the duties embraced in any one occupation are much less definable. At its best the occupational specification provides but a certain percentage of the data essential to intelligent selection. Arbitrarily this may be said to be 75 per cent. And it represents the more constant element. The remaining 25 per cent, the more variable, is concerned with the individual differences of the executive as they affect his subordinates, particularly when they first come under his jurisdiction. Too much emphasis cannot be put on the fact that the Employment Department must know the executive in this work to be able best to select new workers for him. In a measure this condition is fulfilled by the policy of the store that "individuals considered for employment must be acceptable to the head of the department to which they are assigned before they are considered permanently placed."

With changes in executives and often in the content itself of occupations, it is necessary to review occupational specifications frequently in order that they may be up-to-date and of maximum utility for purposes of selection.

Method of Obtaining Data. It is on the interview that Filene's relies for most of its information about prospective workers. Practically no one is employed without it. Accordingly, it has been the subject of some thought and experimentation. But none of the attempts to organize its procedure has resulted in any standard practice. These attempts have, however, resulted in

the adoption of certain very general principles evident in the interviewing that we observed. These are:

1. That individual differences among applicants are too great to permit of any hard and fast procedure in interviewing.

2. That the interview is a medium of exchange. The intelligent applicant is not only selling his services, but he is buying a position. Consideration should be given the latter point of view.

3. That the eliciting of facts about the personality, temperament and qualifications of applicants is, as often said, an art. It is of the greatest importance, therefore, that only such persons as are already skilled in this art or can become so should be interviewers.

These principles, however, need to be supplemented by experiments in the method of interviewing. Until they are, standards for judging those personal qualities which do not at present, at least, lend themselves to quantitative measurement will be lacking. For the most part the interviewer now makes his judgments on "hunches" rather than on facts. And there is little systematic check on his ability to judge these particular capacities of applicants.

Provision exists in the Filene application blank for rating of applicants by two interviewers. At one time this was done, but at present it is entirely disregarded. Selectors, however, frequently make notes of their impression of an applicant. The usual procedure is for the applicant to fill out his application blank after the interview. To do so beforehand has been found wasteful for the Employment Department and otherwise undesirable.

In accordance with prescribed procedure, before an applicant is employed he is referred for approval to the

executive of the department for which he is being considered. This procedure has proved to be a desirable one. It enables executives to secure to a greater degree workers who fulfil their individual likes or requirements. It enhances their self-respect and gives them additional prestige with their subordinates. Moreover, it provides a check on the judgment of the interviewer. All these efforts tend to reduce turnover and to develop a satisfactory personnel.

In addition to the interview as a method of securing facts about the capacities and interests of applicants, tests are also employed. These, however, are given at present only for the positions of office clerk, stenographer and typist.

Pre-employment testing began in 1920. The first tests were for office jobs, to demonstrate speed and accuracy in the handling of figures. The next year tests were given for accuracy and speed specifically adapted to the work performed by clerks in the credit office, merchandise clerks, floor clerks and typists.

From February 1, 1925 to January 31, 1926, pre-employment tests were given to 68 applicants. Of these 56 were tested for clerical work, six for stenography and six for typing.

The task of devising and administering pre-employment tests is assumed by the Training Department, not by the Employment Department. Logically, testing applicants is a part of the process of selection.

One of the prescribed duties of the Training Department, as already indicated, is the preparation for the personnel superintendent of "such job analyses as may be required." Certainly the Training Department, having made such analyses, has something to contribute

to the building up of tests derived from them. But there seems to be no reason why it should be burdened with the administration of tests. Speed and simplification of method point to the desirability of having pre-employment tests administered by the Employment Department.

The tests worked out by the Training Department are sometimes original, based on information gathered in training experience. Sometimes they are a combination of original and borrowed material.

Other data supplementing the judgment of the interviewer are sought from former employers and persons with a knowledge of the applicant's character, for three groups of employes: (1) executives, (2) employes who are required to be bonded and (3) those who work in the building at night. If any employe in these three groups is under twenty-four years of age, a reference is also sought from the last school he attended.

The only purpose for which references are used is that of checking the truth of the applicants' statements and otherwise detecting dishonesty. Since an exceedingly small percentage of references indicate dishonesty, their value in view of the clerical work involved is questionable.

As functions of the Filene Employment Department, recruiting and selection, it seems to us, require more attention than they now receive. The importance of both is too obvious to be dwelt upon. Policies need to be more carefully revised; responsibility for certain parts of the work, occupational descriptions and testing, for example, needs to be realigned; and experimentation, particularly in methods of interviewing and testing, needs continuously to be carried on. Nor should the pressure of daily routine obstruct such experimentation.

CHAPTER XIX

FOLLOW-UP

IN ADDITION to developing employment resources and selecting workers, the Employment Department is also held responsible for rating each employe periodically.

RATINGS

The policy on the follow-up of employes is clearly set forth as follows:

a. Every new employe shall be rated after being employed thirty days and such salary adjustments as are advisable shall then be made.

b. At least once every six months during the first two years of employment and once a year thereafter a formal rating of every employe shall be made by department executives and reported to the employment manager, but the work of making such ratings shall be distributed throughout the year and not concentrated into a small portion of the period. A special rating of any employe may be called for and obtained, however, at any time. Such ratings shall be incorporated with the employe's personal record and shall be used when the employe is considered for promotion or transfer.

c. In case the rating of any employe shows that his work is unsatisfactory that employe shall have the benefit of knowing through the Employment Department in what way his work is unsatisfactory. He shall also be shown how he may receive all the assistance to improve his work that the store is able to give. Periodically the names of those people whom the personnel superintendent or his assistants agree will be aided by training shall be turned over to the Training Department.

The Thirty-Day Review. In the application of the above policy the first step is what is known as the "thirty-day review." After a worker has been employed thirty days, he is scheduled for an interview with the personnel superintendent or his representative. The personnel superintendent interviews all executives and all salespeople. All other employes are interviewed by the selector who engaged them. In these interviews particular attention is given to the employe's record of attendance; the rating he had received from his executive on the five points prescribed on the rating form:[1] (1) his personality, (2) his willingness to obey orders promptly, (3) his appearance, (4) the quality of his work, (5) the quantity of his work; and, where pertinent, his need of and desire for training. Furthermore, the executive is asked whether he considers the employe to be "a promotional probability." If the executive's report is altogether unfavorable and the personnel superintendent has no reason to question it, a dismissal order for the worker is made out. It is a practice of the Employment Department, before interviewing workers employed thirty days, to confer with their executives.

In some of our talks with both executives and non-executives, the question was raised as to the length of the probationary period. Is thirty days a sufficient time to afford the executive of a new employe and the personnel superintendent a sound basis for retaining or rejecting him? The consensus of opinion held that it was ample. Also, it was generally agreed that this early review not only acted as a check on selectors but was an obligation due the employe.

The Semi-Annual Rating. After the thirty-day fol-

[1] See p. 470.

low-up, every employe is rated and his wage rate reviewed semi-annually for the first two years and annually thereafter. The scale for rating executives[1] differs somewhat from that for rating non-executives.[2]

Executives are rated on four items: (1) mental qualifications, (2) technical ability, (3) administrative ability, (4) personality and general value to the company. An attempt is made to define these terms. Why in the fourth item, personality and general value to the company were combined and why the particular elements listed as included in this combination were selected, is far from clear.

As in the thirty-day review, the rating covers five gradations, but with different designations: (1) excellent, (2) very good, (3) good, (4) average, (5) poor. But in addition each gradation is given a numerical weight, which is printed under it and opposite each of the four points. For example, on the first item, mental qualifications, the numerical weights under each of the five gradations are as follows: excellent, 20; very good, 18; good, 16; average, 12; poor, 8.

Administrative ability is weighted much more heavily. The score for this ranges from 18 to 45.

To rate an executive, a ring is drawn around the percentage for each of the four items that in his superior's opinion "most nearly expresses the employe's worth." The total of the four figures ringed indicates the executive's total grade.

Non-executives are rated on three instead of on four items: (1) mental qualifications, (2) technical ability, (3) personality, health and general value to the company. These three items, though worded differently,

[1] See p. 473. [2] See p. 472.

are practically identical with three of the four on which executives are scored. The difference in the rating scales for the two groups lies in the absence from the non-executive scale of administrative ability and in the weights accorded the different items. Technical ability in the non-executive rating scale is weighted from 26 to 65 points; in the executive scale, from 8 to 20 points. In the latter scale administrative ability receives the heaviest weight, from 18 to 45 points.

Among other purposes these automatic semi-annual ratings are intended to provide the personnel superintendent with a basis for increases in wage rates.[1] Usually the rating and recommendation for an increase are made by the employe's immediate superior and approved by the head of the division or pyramid. Next, the recommendation is sent to the head of the Expense Control Department, who signs it if there are sufficient funds in the budget of the department in which the employe works to cover the increase. It then goes to the personnel superintendent for approval and finally, in the case of executives, to the vice-president in charge of the store.

If an employe has wanted to see his rating, usually he has been given permission by the personnel superintendent to look at it in the offices of the Personnel Division. Misunderstanding, however, of this privilege led to questions about it in a meeting held by a Committee of the Filene Co-operative Association on Better Co-operation. The Committee recommended that:

[1] To take care of special or emergency cases another form is provided, on which an executive may request an increase in rate for himself or any of his subordinates and which he may submit to the Personnel Division at any time.

The Management be asked to see that the rule, if in existence, be put into operation; if not, that it be made a rule that executives should discuss with every employe that employe's rating at the time it is made, and that the rating slip should be signed by the employe in order that the Personnel Division may know that this rule has been carried out.

This recommendation was passed by the Council of the Association, four members dissenting. The policy, however, of discussing periodically with an employe his rating has never been finally determined. A salesperson may always find out his sales rank through the head of his department.

Effectiveness of Ratings. By both executives and non-executives the semi-annual review is generally accepted as a sincere attempt on the part of the Management to measure their efficiency and capacities not only for its own interest but also for theirs. The extent to which this purpose is accomplished is quite another question. Considerable light is thrown on it by a former employment manager who was working out another form of rating. In the following memorandum to his superior he criticized the rating form as unsatisfactory. It called for judgments on points remote from the work of employes. It tried to apply mathematical precision to qualities which did not admit of such application. It differentiated only between the very desirable and the very undesirable employes. Consequently, ratings based on this form were comparatively useless. The memorandum reads:

I felt distinctly that our present rating slip was unsatisfactory because, for one thing, it asks for the executive's opinion on too many things about an employe that are not distinctly connected with his job or which could not be

readily described in terms of his job. I refer to such things as "thoroughness," "mental alertness," "ability to grasp new problems," "character," "tact," "energy," "dependability," et cetera. The average executive in sizing up the work of his employes does not think in these terms. They are too abstract.

An accurate estimate or rating cannot in my opinion be made without a more definite calling to the attention of the executive the facts that we are really trying to get at.

The rating system is further confusing and not dependable because we try to rate for these facts vague considerations on a strict percentage basis. Even if we grant that all executives could understand exactly what they were meant to rate on from reading the present rating slip, and could translate the terms we use into definite pieces of performance on the job, there is still a difficulty that one executive will rate higher or lower than another. One man's 100 per cent will be another man's 90 per cent. It is possible to correct this in part by establishing a maximum and minimum rating which each executive uses, considering the 90 per cent of the executive who rates low as equivalent to 100 per cent, et cetera. This, however, does not get away from the fundamental problem that we are asking executives to rate in terms of an exact mathematical scale on qualities which are not mathematically measurable except in a very approximate way.

The unsatisfactory nature of our present rating slip, because of the above factors, has resulted in the rating slip's having very little weight with the Employment Department and frequently with the executives themselves in determining the value of the employe when there is a question of salary increase or promotion. It does serve to call attention to the very good and very poor employes, but is in no way representative of the well-rounded conception by his executive of the average employe's work.

How completely a rating system can be frustrated was illustrated by the testimony of one executive. He

had had in his department an employe who was less satisfactory than the others. He rated her accordingly. On the basis of this rating she was dismissed. Protest on his part failed to prevent her discharge. His rating, which he still subscribed to, was held by the Personnel Division to justify dismissal. Subsequently, in need of additional workers during a rush period, he requested that this former employe, who he knew was still unemployed, be reinstated. The personnel superintendent refused the request on the ground that the executive's own rating of the employe indicated that she was not the type of worker the store wanted to retain. "That experience taught me a lesson," stated the executive. "Never since have I rated a worker low."

While this incident is probably exceptional, it goes to show the error to which the ratings are open. Undoubtedly this type of error would be much reduced if the judgment of more than one person familiar with the work of the employe were secured. As a matter of fact, ratings are made by the employe's immediate executive and supposedly are approved by the head of the division in which the employe works and by the personnel superintendent.

Rating systems are still in a very experimental state. They require much more study than has yet been given them before their value can be determined. At one time correlations were worked out at Filene's between the semi-annual ratings and pre-employment tests. The results were negative.

If the rating of an employe indicates that his work is unsatisfactory, he shall, as already noted,

have the benefit of knowing through the Employment Department in what way his work is unsatisfactory. He shall also

be shown how he may receive all the assistance to improve his work which the store is able to give. Periodically the names of those people whom the personnel superintendent or his assistants agree will be aided by training shall be turned over to the Training Department.

In so far as we have been able to learn, no organized procedure has been worked out for the application of this policy. It is provided, however, that employes shall be notified of their unsatisfactory work sufficiently in advance of proposed discharge to allow for possible improvement. In the case of executives, as already stated,[1] a résumé of this warning, either verbal or written, is to be filed with the employe's record in the Employment Department. If any definite date is set before which the executive shall show satisfactory improvement or be discharged, the head of the department or pyramid in which he is employed is to notify the vice-president in charge of the store, who will interview him before the removal order is put through.

TRANSFER, PROMOTION AND WITHDRAWAL FROM EMPLOYMENT

In addition to developing sources of labor supply, selecting and rating employes, it is also incumbent on the Employment Department to transfer and promote employes as advisable and to supervise their separation from the business.

Transfers. Transfers indicate changes in work or position in the organization without any marked difference in responsibility, salary or grade of occupation. They are of two kinds: temporary and, to all intents and purposes, permanent. Temporary transfers arise

[1] See pp. 352–353.

out of the very great demands of certain departments during particular seasons for additional workers. For other departments these same seasons may be dull. Employes in these latter departments therefore are transferred to the former.

Seasonal fluctuations, it is clear, are the governing factor in temporary transfers. Under the circumstances, only with certain limitations can the Employment Department do much in the matter of these transfers. However, through careful study it can determine which departments during their dull seasons afford the most effective training for others whose season is busy. It can also provide for careful selection of the individuals temporarily to be transferred. In general, employes are reluctant to leave their own departments for temporary work in another. To provide an incentive to employes to respond to the emergency demands of other departments for extra assistance, the Employment Department in 1922 planned what was known as the Flying Squadron. It was to be made up of regular employes who volunteered to join it. Each morning they were to be assigned by the Employment Department to the section where the need for them was greatest. The idea, however, had to be abandoned for lack of volunteers.

In large part, temporary transfers are now taken care of by means of two forces of "contingent" salespeople, one for the main and men's stores and the other for the basement. The members of these two groups are selected by the Employment Department, but their transfer from one selling position to another is carried out by the superintendents of the main store, men's store and basement. Transfer of an individual from

the regular selling force to the contingent force is also a responsibility of the Employment Department.

In theory, the contingent force is made up of newcomers with little experience. As members of it, they are supposed to receive training for fixed selling positions. This theory is fairly well carried out. Occasionally a salesperson who is no longer at the maximum of his or her efficiency may be transferred to the contingent force as a first step toward separation from the store. This procedure is encouraged by the Employment Department. In slack periods efficient "regulars" may be transferred to the contingent force in order that their time may be used to greater advantage.

Permanent transfers are the result of requests, primarily from heads of divisions and other executives, to be relieved of certain subordinates. Or subordinates themselves may ask to be assigned to other work or another executive. Many transfers are made on the basis of the thirty-day or semi-annual review.

Promotion. Promotion is a change of work or of position which carries with it increased responsibility or compensation. An increase in rate of compensation, if granted as a reward for efficient work, is also considered a promotion.

The Management states:

1. It shall be our policy to seek constantly to offer promotion to all individuals entitled to it. All promotions shall be approved by the personnel superintendent before final approval by the vice-president in charge of the store, whose decision shall be final in all cases.[1]

2. It shall be our policy to fill vacancies whenever possible by the promotion of people in our store. Failing this, we

[1] Except when an appeal is made to the Arbitration Board.

shall fill positions with high school or college graduates as far as it is possible to do so.

3. Each executive position in the store shall be understudied whenever possible with someone capable of growing into that position in the future, or filling it temporarily in case of emergency.

4. By means of training on the job, group and "resource"[1] training, understudies for all executive positions shall be prepared for promotion.

As one means of carrying out these policies the Employment Department used to post notices of vacancies in the quarters of the Filene Co-operative Association and elsewhere. But news of vacancies spread so fast that this practice was discontinued as unnecessary. Also, as just indicated, the resource training provided by the Training Department is an organized attempt to carry out the promotion policies. Nor does this training disregard the regular promotional avenues which have developed for various positions. Rather does it emphasize the following of them.

While no promotional chart was to be found, there was evidence of the development of definite avenues of promotion for many of the positions.

Some test of the promotion policy of the company is afforded by the number of those holding the more responsible positions who have risen from the ranks. Table 14 shows the type of initial position in the store held by executives and specialists.

Of the 378 executives and specialists on the payroll for the week ending October 2, 1926, 260, or 69 per cent, had been originally employed as operators or rank-and-file workers. Of the total number of women holding

[1] For discussion of these special kinds of instruction, see pp. 407–409.

TABLE 14.—TYPE OF INITIAL POSITION IN STORE HELD BY PRESENT EXECUTIVES AND SPECIALISTS ACCORDING TO SEX

Present position	Initial position in store			Total
	Operating	Non-operating position other than present	Present position	
Men				
Executives				
Major	2	3	–	5
Other	58	10	22	90
Specialists				
Buyers	16	7	9	32
Assistant buyers	28	3	1	32
Special training	1	–	1	2
Other	23	4	20	47
Total men	128	27	53	208
Women				
Executives				
Major	–	–	–	–
Other	46	6	3	55
Specialists				
Buyers	25	3	5	33
Assistant buyers	32	1	2	35
Special training	3	–	1	4
Other	26	1	16	43
Total women	132	11	27	170
Grand total	260	38	80	378

the higher positions, 78 per cent had been promoted from non-executive positions; of the men, 62 per cent.

Withdrawal from Employment. Every person who resigns from the employ of the store is requested to interview the personnel superintendent or one of his as-

sistants before leaving. This interview is designed to determine the real reason for the resignation and if need be to make proper adjustments in relation to it.

By far the great majority of discharges originate with the executive of the employe in question. As one of the essential steps in the process of discharging an employe, a removal order is made out and signed by the head of the department in which he works. This order goes to the Employment Department and is thoroughly investigated by the personnel superintendent or one of his assistants. If it is neither possible nor feasible to transfer the employe to another department, and removal from the store is the only course open, the Employment Department refers the leaving order to the vice-president in charge of the store. If the employe appeals to the Arbitration Board against discharge, it is the function of the personnel superintendent to defend the store's action before the board.

OCCUPATIONAL WAGE STANDARDS

The fifth obligation of the Employment Department is the study of occupational wage standards and supervision of their maintenance.

As previously indicated, each occupation which is *not* filled by an executive or staff specialist is classified into three grades designated in a descending scale as A, B, C, allowing for promotion within the occupation. An employe promoted from B to A receives the increase in salary specified for A as over B. "Such standardization," it was stated, "should tend to eliminate discrimination and to pay employes for skill, efficiency, and effort expended, particularly where a definite measure of performance can be had."

The employes affected had no part in the determination of these standards. They were originally formulated by one of the selectors in the Employment Department. Her knowledge of market wage rates and the opinion of executives having supervision over the various occupations served as a basis for defining them. Subsequently they were reviewed by the personnel superintendent and such revisions made as he deemed practical.

It is the aim of the Employment Department to keep the scale up to date. Signal for revision usually comes from executives. In making out their rating forms they frequently feel the desirability or necessity of increasing the salaries of their subordinates above the grades specified in the scale. Occasionally their recommendations become effective by making exceptions to the scale rather than revising it. Since the establishment of the scale in 1922, it has been revised as a whole only once. However, the rates for certain occupations have been changed more frequently.

RECORD-KEEPING

"To keep easily accessible records of attendance, punctuality, earnings, ratings and each individual's store career" is the sixth and last duty assigned to the Employment Department.

Attendance. Records of absence for non-executives are obtained by the Employment Department from two sources: their time cards and a weekly list issued by the Payroll Department. On Thursday of each week a clerk from the Employment Department gets the time cards for the preceding week from the Payroll Department. She looks over these cards and lays aside those

not properly signed for each day in the week, as a record of absences. When the time cards of all employes who have been absent have been assembled, the clerk marks the particular days in red on their master cards.

The weekly list from the Payroll Department includes executives as well as non-executives, and gives the names of employes who have been absent one week or more.

Executives and staff specialists, it will be recalled, sign a register at the time desk as they come in each morning. Their daily time record is transferred to a time book—a looseleaf binder which contains the name of every employe signing the register. This book is kept by the Payroll Department. Those who do not sign the register are marked absent. Each week the Employment Department gets this book and transfers the absence records of employes to their master cards.

Tardiness. "Time-card" employes who are tardy report directly to the Employment Department, where their names are taken and inquiry is made into the reason for tardiness. The date and reason are recorded immediately on a small 3 by 5 card. The record from these cards is transferred daily to the master cards. Since all employes in the Cambridge building use a time clock, their tardiness record is obtained from it, entered on 3 by 5 cards and transferred to the master cards. Record of the tardiness of executives and staff specialists is kept in a time book and transferred by the Employment Department to their master cards.

Earnings and Ratings. The initial wage rate at which an employe is engaged, as well as each change in rate, together with the date, is recorded by the Employment Department on his master card. In the same way,

ratings are posted on the master cards. All rating slips from which the entries are made are filed in employes' envelopes, described below.

Individual Employe's Records. The employe's application form, his references and any pertinent correspondence about him, together with any records of complaints against him or praise of him, shopping reports about him, applications for promotion and reports of his training in the store, are all kept in a 9 by 12 envelope. This file is divided into two sections: active and inactive. The active contains the envelopes of employes who are on the payroll; the inactive, those of former employes. Employes in the active file are arranged numerically, according to the number of the employe; those in the inactive file, alphabetically.

A form for recording the past and current employment record of an employe was adopted March 1, 1919. Both sides of it are reproduced in Appendix C.[1]

On the upper part of the face of the form appears much of the information given by the employe on his application blank. On the lower part are recorded the date of his employment, his initial position, subsequent changes, wage rates and similar data. Provision is also made here for entering various items, such as service in the Filene Co-operative Association, which have a direct bearing on the value of the employe to the store. On the upper section of the back of the card, absences and tardinesses are noted. The lower half of the reverse of the card provides space for noting ratings and interviews.

Labor Turnover. Records of labor turnover have been kept regularly at Filene's since September, 1916.

[1] See pp. 466–469.

The form in present use was adopted in January, 1921, by all stores which are members of the Retail Research Association. The monthly turnover percentage is determined by dividing the total number of exits which have occurred during the month (not including those of temporary employes) by the average number on the payroll during this period. The number on the payroll the day it is made up is accepted as the number employed for that week. To obtain the average number employed for the month, the weekly numbers are added and the total divided by the number of weeks.

CHAPTER XX

TRAINING, 1902–1912

SINCE 1922 the Training Department has been devoting much of its effort to aiding executives to develop their subordinates. This effort is referred to as indirect or decentralized training. However, a considerable amount of direct or centralized training—that performed directly with various groups of workers—has had to be carried on by the department.

Before discussing training in its latest phases, it seems profitable to trace here something of its evolution. Only in the light of its past performance is it possible fully to appreciate its present development.

In the very early days of the store when employes were few, they were invited to frequent meetings at the home of William Filene to discuss problems pertaining to their work. Of this co-operative effort A. Lincoln Filene writes:

> When the business came into the hands of my brother and myself, these meetings with our employes had become a regular institution. It was at these meetings that we discussed—and we did discuss most vigorously—the standards of service that we as a store would adopt. It was here that my brother developed with our people our contribution to sounder merchandising methods.[1]

This give and take between their employes and themselves exemplifies the training methods practiced by

[1] A Merchant's Horizon, pp. 189–190.

the Filenes. To them employes presented a valuable resource of ideas and information. They were indispensable participants in the evolution of better methods of storekeeping. Their participation was itself a method of training.

When the store system—making out sales checks and other records—had become complicated, when the policies and aims of the store had been formulated, when the public had been led by its own growing discrimination to expect more from the salespeople in the way of information and service, the need for more organized training appeared.

Recognition of the need for educating executives to do better work antedates the recognition of a similar need for the rank and file of employes. Early in the history of the store, buyers, assistant buyers and floor superintendents used to hold periodic meetings of their respective groups. Before 1903, these groups had acquired certain political power in the store organization. This participation in management was granted in the hope that it would stimulate initiative and responsibility.

Votes on questions pertaining to the store were taken at these meetings, with resulting action. Emphasis, however, on the educational function of the meetings gradually superseded the idea of the development of collective initiative and responsibility. For the most part, they served then and still serve as mediums for exchange of information, discussion of problems of mutual interest, promotion of enthusiasm and suggestions to superior executives.

A second educational factor in the store, which, like the executives' meetings, antedates the formal organi-

zation of educational work, was the lectures held under the auspices of the Filene Co-operative Association. The first of these occurred in 1898, five years before the Association was formally established.

These early lectures, held once a week, immediately after work at the end of the day—and the store then did not close until six o'clock—had little to do with direct education for the work of the store. They were given by people of prominence and covered subjects of general cultural interest. They were more "high-brow" than the type of talk which the members of the Association now receive through their clubs. In all probability they were not demanded by the rank-and-file employes, but rather were presented to them by the director of welfare.

In 1901–1902 a series of talks on textiles appeared on the program. These were the first lectures having directly to do with the work of the store. They were given in ten-minute periods before a volunteer group by members of the firm and outsiders. From that time to the present the Filene Co-operative Association has provided for lectures and various types of cultural and vocational classes. Also the boys' and girls' clubs, started in 1906, were in their origin essentially educational.

THE TRAINING DEPARTMENT

FIRST PERIOD, 1902–1909

It is to a comment made December 24, 1902, by Edward A. Filene, then general manager, that provision for regular or organized training is attributed. Mr. Filene was much impressed, he said, by the fact that so much of the time of executives was consumed in "cor-

recting the same mistakes over and over again." The mistakes he had particularly in mind were those made by salespeople and more especially by new salespeople engaged for the Christmas season. Something, he thought, should be done to relieve executives for the more constructive aspects of their work. Circulars containing typical errors, he suggested, should be printed every now and then, distributed to the sales force and compiled for the instruction of new employes.

Out of the discussion of these ideas came the additional suggestion that the director of welfare be held responsible for teaching new employes the policies and aims of the store and that the floor superintendents be held responsible for instructing them in store system.

Here, then, in the first serious consideration of organized training, emerged some of the features which were to dominate it not only in its early stages but also in those which succeeded. Quite naturally, the history of organized training, it seems to us, falls into four periods. The first endured from 1902 to the spring of 1909; the second, from this latter date to the spring of 1912; the third, from then to the spring of 1922; and the fourth and last period, from the spring of 1922 to January 31, 1927, the end of the fiscal year in which our supplementary field inquiry was made.

Correction of Errors. One of the most conspicuous features of early training was the emphasis placed on the elimination of errors in store system. It was natural that errors should receive first attention. Commissions are usually more obvious than omissions. Particularly conspicuous are they when they hold up the expedition of sales, irritate customers and prevent those in authority from doing their most important work.

A knowledge of system was as essential to selling as that of the alphabet was to reading. It was, therefore, to provide and clinch this elementary knowledge that the "mistake bulletins" advocated by the general manager were put into effect. They recorded each error and indicated the name of the person who had made it. Severe penalties were imposed on those against whom they were made out. Salespeople, for example, were subject to lay-off for a day or two. After a year's trial these bulletins were superseded by "blunder slips."

Training and Welfare Work. A second feature of early education, as it was then called, was its close connection with welfare work. Much of the training in system and salesmanship was carried on directly by the director of welfare.

In 1906 educational and welfare work were formally separated. Training thereby became recognized and advocated as a definite function of the business. All educational work, except that paid for and controlled by the Filene Co-operative Association, was placed in the service pyramid. The executive in charge of this work was made responsible to the superintendent of employes, an executive in the next grade below the head of the pyramid.

Decentralization. A third feature of training in 1903 was the provision for its decentralization. Floor superintendents were made responsible for instructing new salespeople in system. In July, 1904, decentralization was still further extended. The head of each selling department was made responsible for the training of the employes of his department. The director of welfare was put in charge of instruction in store system, with the assistant superintendent as her aid responsible

for instructing floor superintendents. They were to teach salespeople, who in turn were to teach apprentices. Also, the head examiner was to instruct his assistants, and so on throughout the store.

Classes in Salesmanship and Clubs. Classes in salesmanship were another element in the training of this period. Some of them were carried on directly by the director of welfare and some by floor superintendents. In 1906 classes in salesmanship for regular salespeople were organized in the form of clubs. Each club elected a president, vice-president and secretary. The object of this action was to make the salespeople themselves responsible for their attendance at classes and through the grant of responsibility to deepen their interest in the work and assist their self-development. In the clubs, as in the early meetings of buyers and floor superintendents, is to be found the basis of the "craft" group[1] which subsequently became so important an element in the educational work of the store.

Later, an extensive program of salesmanship classes to be held from 8:30 to 9:10 a.m. and of periodic meetings for various other groups of workers in the service, merchandise and finance pyramids was devised. Evidently the program did not work out satisfactorily. In 1907 the Board of Managers voted that the sales classes should be dropped until a fundamental educational program embodying the suggestions made at their meeting could be drawn up. Presumably the classes or meetings of other existing groups of employes were dropped at the same time.

An interregnum of many months ensued, when whatever training there was must have been given largely

[1] See pp. 401–404.

by the executives of the store. Indeed, there is no positive indication that classes for the purposes of formal training were resumed until after the appointment of D. F. Edwards as "educational director." This occurred in the spring of 1909.

SECOND PERIOD, 1909–1912

Mr. Edwards formulated a much more complete and carefully conceived program than any which had gone before. It was founded on two basic ideas: first, the decentralization of training; and second, the utilization of store experience as the content of instruction.

"The real function of an educational director," stated Mr. Edwards,

> is to organize a scheme of training which shall include every executive in the store as an assistant educational director and which can be carried on during business hours without interference with regular duties. Such a scheme must be simple and direct in its operation and must depend for success upon the co-operation of all persons in positions of authority. Under such a scheme the initiative would naturally come from the director of education. It is his part to organize the work and indicate the lines along which effort is to be directed and the points upon which attention must be concentrated, in order that the training may be systematic and comprehensive. He should also develop the best methods of imparting information and overcoming weaknesses and suggest these to the executives. This might be called normal work.

As to the utilization of experience for the content of instruction, the new educational director said:

> There is no lack of material for efficiency education within the store itself. The real problem is the devising of a method

—a machinery—at once simple and effective by which this accumulated fund of store experience may be organized and made available as a means of instruction.

It is this experience which should furnish the material for a scheme of efficiency education and not the knowledge of people from outside brought in as lecturers and teachers. Formal class instruction and talks on theory must always play a minor part in any effective plan of business training.

The question method and the case method were relied upon chiefly for securing this information. Almost at once the necessity for collecting the information required by salespeople was recognized. Plans for compiling a manual of salesmanship for each department were made.

As organized, the training work divided itself into five different parts: classes, conferences, efficiency bulletins, blunder slips and efficiency records.

Classes. Classes were provided for (1) regular salespeople, (2) new salespeople and (3) apprentices, i.e., examiners and stock girls who wished to go into selling.

The sales force was divided into groups of about 15 persons. These groups met from 9 to 10 a.m., four days a week, for two weeks. A manual of salesmanship was developed, which served as a basis for instruction. Chapter one of this manual contained instructions for the record-keeping involved in selling. Topics such as stock purchasing, approaching customers, completing purchases, and suggestive salesmanship were discussed at each session. Experiences brought out in these discussions often formed the content of the efficiency bulletins referred to later.

Apprentices met from 10 to 10:45 every morning in the week, for a period of four weeks; with them much

the same method as utilized for salespeople was applied.

New salespeople were instructed from 8:30 to 9 a.m., four mornings a week. They continued to meet until the instructor judged them ready for one of the regular classes.

Conferences. Salesmanship classes were supplemented by weekly conferences between buyers, floor managers and salespeople. These were organized to supply information about merchandise which salespeople needed and often requested. At them, buyers were to discuss in a critical fashion the work of salespeople during the week. They were to explain to them the talking points of new merchandise, make clear the divisions of stock and supply additional information on materials, colors, styles and similar topics.

Plans for the conduct of these conferences were devised by the educational director. They were submitted to buyers merely as suggestive. Weekly reports, however, of the conferences were required by the educational director. The form on which they were to be made was also supplied by him.

Efficiency Bulletins. Each week a bulletin, presenting topics brought out in class discussion or others relating to the work of the selling department was issued and posted in each department. Usually it was read by each floor superintendent to his own organization. If time permitted, discussion of the content followed. Each employe in the department was requested to sign his name in a designated place on the bulletin. His signature indicated that he had read the bulletin, understood its contents and therefore could be held responsible for carrying out any instructions contained in it.

These bulletins were filed together in a book kept in each department; and the material thus assembled was utilized in the compilation of selling manuals.

Blunder Slips. The blunder slip was based on the principle of the mistake bulletin suggested by the general manager in 1902. Each time an employe made an error his executive was supposed to record it on one of these slips and forward it to the educational office. The employe was called to that office to sign the slip "not as a penalty but as a reminder in the future to be more careful to avoid that particular error." After they had been summarized for purposes of follow-up, these slips were returned to the proper executives.

Efficiency Records. In 1910 provision was made for a record of each individual's efficiency. Its purpose, according to the educational director, was threefold:

> first, that the duties and responsibilities for every position in the house should be clearly outlined and defined; second, that the qualifications necessary to meet the requirements of each position should be clearly stated; third, that a regular method should be devised by which the work actually performed by each person of the organization may be checked up with the requirements of the position in a systematic way.

The form for the efficiency record, accompanied in most instances by a statement of duties, called for a periodic rating by the executive. Instructions as to his use of these records were carefully drawn up. The procedure provided for a conference between him and each individual worker under his jurisdiction. The schedule for this conference was prepared by the executive in cooperation with the Training Department. Eventually the records were left in the department to which they

applied and were called for only occasionally by the educational director. But he required from each executive a weekly report of his conference with his subordinates about their efficiency records.

The five forms of training just described were carried on more or less regularly from 1909 until 1912. In the spring of the latter year Bernice Cannon was appointed "director of training." Her administration extends over the next two periods.

CHAPTER XXI

TRAINING, 1912–1922

THE beginning of the third period of training coincides with the great expansion of personnel employed to man the new store. This opened in the fall of 1912. At this time the number of employes increased from 900 to more than three times that number. Accordingly the responsibility of the Training Department became correspondingly extensive. Its effort intelligently to discharge its responsibility led very early to a consideration of objectives, scope, organization and methods. Moreover, as training progressed, an attempt was made to analyze its results and to incorporate the findings as quickly as possible into the current program.

The most significant developments in training during this period are set forth in the following pages.

INSTRUCTION ABOUT ERRORS DECENTRALIZED

It soon became evident that the Training Department could not continue to give instruction to each person against whom an error was recorded. If it did, it could do little else. In order, therefore, to devote itself to the larger and more positive problems of training, it worked out a plan by which all errors in store system were to be dealt with by floor superintendents. This plan is still in operation. In adopting it, Filene's has been much more foresighted than the majority of large retail stores. Most of their training departments as

yet have failed to get much beyond instruction for the correction of errors.

EVOLVING A CONTENT OF INSTRUCTION

The most far-reaching of all problems which confronted the director of training during this period was that of an adequate content of instruction. To train employes for various positions demanded a knowledge of what was entailed in those positions. This problem was not new. It represented the most basic element in the organization of training. Mr. Edwards had already recognized this fact. And while an enlarged personnel unquestionably magnified the size of the problem, it was in kind essentially the same as had confronted him. Much progress had been made by Mr. Edwards in providing a content of instruction. But it was far from complete; it applied to comparatively few positions. Further complication arose from the fact that with the expansion of the store greater variations developed in the work of the same position. Before training could be intelligently organized, a more nearly uniform practice had to be introduced into the store work.

Improving Methods of Work. Standardizing methods of work seemed to demand a body for collecting facts as to current methods. Filene's had never had a department for research, but in 1914 the duty of organizing and supervising one was delegated to the director of training, Miss Cannon. It was not long, however, before she suggested that research be made an independent staff function responsible to the general manager. In this position Miss Cannon felt it could serve both the Employment and Training Departments more effectively.

In the beginning the Research Department did considerable work on occupational descriptions. But after a while it gave less attention to this field of research and more to that concerned with merchandising and other problems. Moreover, Miss Cannon was not altogether satisfied with either the results achieved or the methods pursued by the Research Department in its work on occupations. Her only alternative, therefore, it seemed to her, was for the Training Department itself to undertake the research necessary for standardizing occupations. Nor was the most generally applied or the most convenient practice to be accepted as standard. Rather was the most efficient to be discovered.

Desirable as it might have been to complete the initial research required to establish a content of instruction in advance of any training, to do so was considered at the time, at any rate, practically impossible. Research had to be carried on simultaneously with training. In fact, the problem which presented itself to Miss Cannon was threefold. She had, first, to uncover the defects in the organization of work; second, to provide for their correction; and third, to train workers to follow the more efficient methods. Or from the point of view of the worker, she must determine his proper duties in any particular position, get him to understand them and make him feel responsible for performing them.

FORMS OF TRAINING ESTABLISHED

Group Training. To solve her threefold problem, Miss Cannon reverted to the educational methods of the Filenes.[1] She decided to bring the worker into the training scheme as one who imparts as well as receives

[1] See pp. 388–390.

information. The unit of instruction was to be the occupational or departmental group, whose content of instruction was to be worked out together by teacher and pupils. To put the scheme concretely, all workers employed in the same kind of work, assisted by a representative of the Training Department, would discuss how the work could be organized most efficiently. Having decided upon a scheme of work, the workers would be brought to accept responsibility for carrying out their share of it.

Group training had also been carried on by Mr. Edwards and for a purpose similar to Miss Cannon's. In her stress, however, on the formal organization of the group, and on its use as a democratic method of instruction and as the most direct medium through which employes, particularly the rank and file, could participate in management, Miss Cannon's practice differed from Mr. Edwards'.

On the subject of group instruction the policies formulated by Miss Cannon during this period and accepted by the Management, stated:

> The organized group of people doing the same kind of work shall be considered as a very necessary instrument for use by the training and methods division to increase the opportunities for developing the leadership throughout the store and make for effective, co-operative effort on the part of the whole store. These "craft" groups shall assist in carrying on job analyses and their periodic revision, to develop standard practice for all phases of their work, to devise ways of determining the efficiency of the individuals of the group, to pass upon training plans, as well as any general changes in wage payment plans; when the "craft" group is very large, as in the case of salespeople, group instruction shall be by department.

The following workers were organized into occupational or "craft" groups: floor superintendents[1] of the main store, floor superintendents of the basement, floor clerks, merchandise clerks, automatic markers, chauffeurs, elevator operators, assistant buyers, and decorators. Sales force committees of the main store and basement also were established.

In the establishment of the craft groups the first step was the adoption of a constitution. As set forth therein the most common object of the groups was discussion of the members' work, and recommendations for improvement in methods of doing it. Also the strengthening of the spirit of co-operation among the members was frequently declared as a purpose.

The craft groups possessed no power in their own right to take action; and the machinery by which their recommendations reached those who had the power to act was often ill-defined. This fact led to some difficulties and misunderstandings. Generally speaking, groups made recommendations to other groups or to the immediate executive in their own pyramid who had responsibility over the matters dealt with in the recommendation. When a recommendation was made to another group, the group appealed to could take action only by appeal to the immediate responsible executive in the pyramid to which its members belonged.

A chairman, secretary, and program committee of three or more members, all elected by the group, made up its working body. In the early stages of a group's

[1] The distinction between floor superintendent and section supervisor is a very recent one. Until 1926 all section supervisors were called floor superintendents.

development, meetings were held more frequently than later.

A particular representative of the Training Department was assigned directly to each craft group and was responsible for its organization and performance. She assisted the group, but neither voted nor held office. Her function was to counsel the group and to act as agent for it with executives to whom it had recommended a course of action. In the theory of the Training Department, the goal of each group was independence of the department's assistance. The training sponsor therefore planned to let the group conduct its meeting with little interference and to guide it by maintaining close contact with the chairman and program committee. Almost always the sponsors were present at meetings and exercised a potent direction over the group's activities. Also frequently in attendance was the executive to whom members of the group were responsible.

From 1912 to 1922 the spread of group training was marked. Through it the Training Department succeeded in organizing for itself a large content of instruction. This was compiled in the form of manuals of instruction for various occupations. Their system, the care of stock in various selling departments, the merchandise of these departments and methods of teaching made up the subject matter of separate manuals.

Along with group training, three other forms, "initiation," "job" and "resource" training were developed in this period.

Initiation Training. For non-executives, initiation training consisted of a course of three lectures and a tour of the store, given them during the first two weeks

of their employment. The organization of the store, its rules and the Filene Co-operative Association were the subjects of the lectures.

The director of training gave the talk on organization. By this means she established a contact at once with all newcomers. The purpose of the talk was to make the employe understand his role in the organization and his relation to the executive to whom he was responsible. It was hoped also that he would feel increased interest in his work by seeing its importance in the proper functioning of the machinery of the store.

The talk on rules was a review of the rule book presented by the Employment Department to each new employe. It was delivered by an assistant on the staff of the Training Department.

To either the executive secretary or one of the counselors the lecture on the Filene Co-operative Association was assigned. He or she described the various activities of the Association and the relationship of the individual employe to them. The employe was informed as to how he could make use of the Association's machinery, particularly in presenting a grievance about working conditions.

Beginning with a visit to the engine room, the tour of the store continued up through the various store floors. The quarters of the Filene Co-operative Association on the top floor were inspected, and the tour ended with a trip to the store roof. It was the object of the tour not only to assist the new employe to orientate himself quickly, but also to secure his goodwill.

Before entering on his duties each new employe was introduced by a member of the Training Department to his immediate executive. The floor superintendent

was supposed to introduce a new salesperson to the department "sponsor," usually the head of stock, who in turn introduced him or her to the other workers in the department.

For executives, initiation training meant individual instruction by the Training Department in the organization of the store, its directory (location of all departments, both selling and non-selling), the Filene Co-operative Association, introduction to other executives and a tour of all departments. In addition, before or during job-training, new executives were given as much store background as was necessary.

Training-on-the-Job. This form of training was concerned with individual instruction of new employes. It was given not in a classroom but at the employe's place of work. It consisted of two steps. The first was observation by the worker of what he was later to perform. If this was impracticable, the instructor explained the processes which he would have to undertake directly or those which affected his work closely. The second step was actual performance of work under the instructor's supervision.

Two requirements were generally considered essential by the Training Department to the inauguration of training-on-the-job: first, the completion of a manual of standard practice for the job by the craft group; second, an instructor who had had operating experience on the job. Given these two conditions, the function of the Training Department was to instruct the instructor, that is, to give normal training.

In developing training-on-the-job the Training Department considered the instructor a part-time member of its staff and responsible to it. Subsequently, as

soon as an instructor was ready to assume the responsibility of a training station, training-on-the-job became decentralized. In other words, the executive in charge of the function on which this type of training was being given became responsible for it. He had authority over the instructor. While the Training Department may have directly assisted the instructor, it did so by the authority of the executive. In fact, it acted in a staff capacity to him.

The largest working group to receive training-on-the-job was composed of receivers and markers. Salespeople in garment departments, assistant buyers, automatic markers, elevator men, floor clerks, workers in the shipping room proper, in the office and in the credit department of the shipping room also received training-on-the-job. Others regularly trained in this way were floor superintendents and, in relation to stock care and merchandise, heads of stock and salespeople.

Resource Training. As defined by its originators, resource training was the "training of a group of people chosen by the personnel superintendent[1] as promotional possibilities for specific jobs." In the case of so-called "special training," it was the training of a group of people chosen by the personnel superintendent and confirmed by the special training committee. In the first instance the individuals stayed in their own jobs and had a certain number of hours of training; in the second the entire time of the individual was spent in training.

Nor was resource training given for permanent positions only. It was also used to prepare employes for

[1] Later the personnel superintendent was assisted by the member of the Training Department conducting the course and a leading executive in the pyramid to which the training pertained.

temporary employment such as is created by business at Christmas and Easter, vacations and absenteeism.

Resource training was not developed to any appreciable degree before 1920. In that year and the following three years classes were organized for the positions of floor clerk, merchandise clerk, refund clerk, automatic marker, office clerk, stock control clerk and salesperson. The only specific occupations outside of those filled by the rank and file for which resource training was provided were those of floor superintendent, assistant buyer and, during Christmas time, head of stock. In addition, as already indicated, a particular type of resource training for executives, known as "special training," was inaugurated.

Generally speaking, only as the content of training was developed through agreement by the craft group on duties and responsibilities was resource training extended to cover new positions.

To determine the size of a resource unit, first of all the labor turnover was ascertained for the position or positions for which training was being considered. From these data the probable need of new people for these positions in the next six months was calculated. This number of employes, then, or sometimes a few extra to allow for separations from the course, were selected to be trained. When labor turnover is high, that is, when labor is in demand, resource groups are naturally more important than at other times.

Courses varied in length from eight hours to fifty-five hours, according to the importance of the job to be filled. Less time was devoted to resource training for positions that were short-lived, such as those for the Christmas

season. Classes lasted an hour and were held three or four times a week during working hours.

Such manuals of instruction as had not previously been compiled through some other form of training were developed. A member of the Training Department performed the bulk of teaching for each class, but executives frequently talked on special subjects.

Special Training. Such training as a course of instruction for a group of employes was not started until 1918. The idea at first was to train a limited number of promising workers within the store in a general knowledge of its work as promotional possibilities for executive positions. Applications were invited for a four months' course. Twelve persons were admitted to be trained in three classes of four each. Among those accepted were two salespeople, two floor clerks, one merchandise clerk, one head of stock and one floor superintendent. The training consumed practically the entire time of those who took the course. During this period they received their regular salaries. Then, as now, the bulk of training consisted of the actual performance of the work entailed in various positions throughout the store. The theory was that a broad general idea of the functioning of the store was essential to success in any executive position. Special training was to be followed by intensive training in a resource group, or on the job, for some specific position. Besides the varied operating experience gained in the course, training was given in the organization of the store, its policies and methods of operation.

Later the practice was adopted of choosing most of the members of the special training group from outside the organization. Usually they were college graduates.

These persons were always paid during their period of training.

Among positions in which those taking special training were placed were those of assistant buyer, floor superintendent, secretary to a merchandise manager, training assistant and stock control clerk.

In August, 1920, the Operating Committee voted that it did not wholly approve of special training courses. Placement in executive positions, it believed, should be made from the employes of the store. This vote, together with the relaxation of the labor market at the time of the business depression, probably caused the curtailment of this type of training. Later, however, it was revived.

EXTENSION OF TRAINING

With the development of the forms of training just described, instruction was perfected and applied to a number of new jobs. Naturally most of it was given in the service pyramid. But the Training Department also began work in the three other pyramids during the decade under discussion.

Service Pyramid. In the service pyramid considerable progress was made in the training of salespeople. Instruction in system was carefully organized. The content of training in the care of stock was developed for a number of selling departments and salespeople instructed in this function. General courses in textiles were given and information on the merchandise of a number of selling departments was compiled into manuals. For purposes of instruction a beginning was made in the establishment of standards relating to the fit and suitability of outer garments for women. Courses in

the general principles of selling were offered. Furthermore, the Training Department assisted floor superintendents in instructing their salespeople in salesmanship as it applied to particular departments.

In addition to salespeople, floor superintendents, floor clerks and sales force committees also received training.

For practically all positions in the operating or building maintenance division of the service pyramid, the content of training was organized. This was accomplished largely through craft groups, which functioned particularly well in this section of the store. Chauffeurs, elevator operators and workers were the first in the division to be organized into craft groups. Later the secretaries, checkers, ticket markers and others performing similar occupations were brought together to discuss their work. In addition, the staff meetings held by the chief executive with his various assistant executives proved to be a helpful medium for training. This type of meeting in turn was carried on by the assistant executives with their own particular staffs.

Merchandise and Publicity Pyramids. The only two positions for which organized training was provided in the merchandise pyramid were those of merchandise clerk and assistant buyer. Training for both of these was given by the Training Department: for the latter position, largely in resource groups; for the former, in craft groups.

In the publicity pyramid the Training Department aided the decorators of the store to solve problems of morale through the establishment of a craft group.

Finance Pyramid. No assistance was given by the Training Department in the Finance Division until the

very end of this period, and then for only a short time. In solving certain problems in the Credit Department affecting its personnel and in teaching workers to perform various functions involved in the taking of stock, the Training Department was of service to the finance pyramid.

IMPROVED STATUS OF TRAINING DEPARTMENT

In the early part of this period the Training Department was moved to a more strategic position in the organization than it had previously occupied. More or less in accordance with its enlarged scope of work, it was transformed in 1914, together with the Employment Department, from the jurisdiction of the superintendent of employes to that of his superior officer, the vice-president in charge of the store. This action was the direct result of a recommendation made by Robert G. Valentine, at that time retained by the Management as counselor in personnel relations.

In addition to its improved position in the organization, the prestige of the Training Department was further advanced by an enlargement in the size of its staff. By 1920 this numbered 22 members.

For the greater part of the decade under consideration, training was largely centralized. But decentralization had begun. Members of the Training Department were assisting operating executives to take responsibility for group training. With precipitated effort toward this end, the next era of training began.

CHAPTER XXII

TRAINING, 1922–1927

IMPETUS to the widespread decentralization of training at Filene's was given by the Retail Research Association. In March, 1922, at the request of the store manager, it made a study of the Filene Employment and Training Departments. The purpose of the "personnel studies" of the Association is

> to ascertain if the employment and training departments in the stores of its members are conducted in harmony with the present-day practices of other progressive stores and to present any suggestions or comments on these practices to the management in a brief report.

In the year 1922 industry had not fully recovered from a severe depression which began in 1920. During such periods it is the practice of retail stores drastically to reduce their operating expense. Frequently, it must be admitted, this is done without due regard to the future development of the business. But lack of proper planning in advance makes it necessary, if the stores are not to suffer serious losses. Apparently reduction of expenses was in the foreground of the consciousness of the representatives of the Retail Research Association when they made their personnel study at Filene's.

RECOMMENDATIONS OF THE RETAIL RESEARCH ASSOCIATION

Accepting decentralization as the professed and, at the same time, the desirable objective in the organization of the Training Department, the report of the Association criticized it as exemplifying neither central-

ized nor decentralized organization. Chief among its recommendations were the following:

1. That the Training Department be immediately reduced to six or eight members.
2. That time should not be spent by members of the training staff in learning jobs in order to teach them, but that jobs be taught by operating executives.
3. That all training activities be decentralized in the line executive, except only where it is less costly to centralize them, i.e., instruction in system to new employes and promotional training when vacancies occur frequently enough to warrant teaching in groups.

Examination of the complete report of the Association indicates that its recommendations were not made in relation to the extent to which the content of training had been organized or to any thought-out program designed to meet the training needs of the entire store. In the main, however, the recommendations were put into effect as soon as was practicable. But such far-reaching changes as they represented could begin to operate effectively only after a considerable period of time. Perhaps the most satisfactory way to indicate the extent to which they have become effective, and at the same time to show the latest developments in training compassed by this study, is to present the program of training for the six months' period from August 1, 1926 to January 31, 1927. It falls into two parts: the work of executives and that of the Training Department.

THE PROGRAM OF TRAINING, AUGUST 1, 1926, TO JANUARY 31, 1927

The only one of the four pyramids in which a program of decentralized training was carried out was the

service pyramid. This was in accordance with plans submitted by the three service superintendents and other executives in this pyramid to the store manager and approved by him.

In the main store, provision was made for weekly conferences between the service superintendents and each of his head floor superintendents for the purpose of discussing work done and methods of improving it. Also conferences with section supervisors were held weekly in the morning and once a month in the evening.

To new salespeople instruction in the care of stock was given by the section supervisor or head of stock. And one person was designated in each department by the section supervisor to assist salespeople to adjust themselves to the department. Section supervisors held weekly conferences with their sales and stock people every Tuesday to discuss various problems connected with their work. Additional meetings were organized, at which buyers gave talks on merchandise. Furthermore, under the supervision of the assistant service superintendent meetings of the sales force committee took place semi-monthly.

Every Friday morning a meeting of cashier-examiners was conducted by the head examiner. Special instruction was also given to individuals by the floor assistants of the head examiner under the supervision of the head of the Adjustment Bureau. Floor clerks also met weekly. Finally, fitting-room attendants were instructed in their duties by section supervisors.

With adaptations the foregoing program of decentralized training was more or less carried out by the service superintendents of the men's store and basement. Finally, the group training given by their respective executives

to chauffeurs, other workers in the Shipping Department and elevator operators completes the decentralized training accomplished in the service pyramid during the period under discussion.

The Work of the Training Department. In addition to executives, the Training Department also bore heavy responsibilities for training during these six months. To discharge them it had a staff of but five persons: the director, three assistants and a stenographer. Its program included initiation training, resource training, courses of instruction for selling departments, the training of individual salespeople, the organization of evening courses, the preparation of manuals and the supervision of instruction given by executives.

To all new employes who were not executives or staff specialists the Training Department gave a course of initiation training. This differed little from that developed in the preceding period.[1] The head of the Protection Department, rather than a representative of the Training Department, gave the talk on store rules, and the tour of the store was conducted only for those new employes whose work was to bring them directly in contact with customers.

In addition to the lectures for all new employes, a good deal more instruction was provided for new salespeople. They were given a course in store system; the location of all departments in the store;[2] color, line and design;[2] general textiles;[2] and general salesmanship. In accordance with a new policy these courses had to be completed by the end of the first six months of employment. Store system had always been taught to

[1] See pp. 404–406.

[2] Not required of salespeople in the basement.

new salespeople. But the other three courses were requirements inaugurated in 1926.

With new executives and staff specialists more emphasis was given than in the preceding period of training to instruction in the policies of the division to which they were assigned and to the personnel policies of the store. Also this group was given special opportunity to know the work of departments related to the one in which its members were to work. For new floor superintendents, section supervisors and assistant buyers, a program of job training was arranged.

Courses for promotion to the positions of assistant buyer, merchandise clerk, floor superintendent, section supervisor, head of stock, and salesperson, conducted by the Training Department, were also included in the program for these six months. Except for the positions to be filled during Christmas time, all courses of training for promotion were held in the evening, from 6:30 to 7:30 o'clock.

Also the Training Department was responsible for special training. After lapsing for about three years, this was rather vigorously resumed in 1924 in accordance with a policy adopted by the Retail Research Association. In this revival the committee which had previously functioned in relation to special training was reorganized. In addition to the assistant director of training, who served as chairman, its membership included the major assistants of the members of the Operating Committee. These consisted of the personnel superintendent, the three superintendents of service, the chief assistant of each of the two merchandise managers, the assistant comptroller and the advertising manager. It was the function of the committee not

only to interview candidates for the course and decide on those to be enrolled, but also to counsel them during their instruction and to aid in their placement.

A report prepared by the chairman indicates that from 1915 to 1926, 94 persons had been enrolled for special training. On January 24, 1927, 62 of these had left the employ of the company; 32 were still in its service. Altogether 39 who had been transferred from special training had done satisfactory work in the store.

In addition to initiation and resource training, members of the Training Department gave the following courses of instruction to various parts of the selling organization:

Color	Street floor—hosiery, neckwear, handkerchiefs
Color, line and design, adapted to particular departments	Fourth floor
Laces	Street floor—neckwear, handkerchiefs
Salesmanship, adapted to particular departments	Sixth floor
Textiles and color adapted to particular departments	Basement

In reviewing and analyzing the performance of the salespeople in their sections of the store, the three service superintendents during these six months referred to the Training Department those who seemed to need further instruction. Representatives of the department tried to determine the needs of these salespeople and in so far as possible to meet them.

Exclusive of courses for promotion, the following were offered in the evening directly by the Training Department:

Advanced Color
Elementary Principles of Color, Line and Design
Elementary Textiles
How to Teach
Store Background

Further training was available to Filene employes through the courses organized by the Retail Trade Board of the Boston Chamber of Commerce. Also held in the evening in various centers in the city, these provided instruction in:

Chronicles of America
Color, Line and Design
Effective English—Written and Spoken
Elementary Textiles
History of Costume
History of Furniture
Interpretation of Business Trends
Typing

As it is able, the Training Department prepares new manuals for purposes of instruction and brings old editions up to date. For selling departments common to the stores of all its members, the Retail Research Association has adopted the practice of delegating among the training departments of these stores the responsibility for preparing manuals. As indicated below, the Filene Training Department has its quota. The following are the manuals worked upon during the six months under discussion:

Manuals of Standard Practice
In Care of Stock (Revision of manual)

In Fit and Workmanship of Garments (New manual)
In System for Assistant Buyers (Revision of manual for main store) (New manual for basement)
In System for Cashiers in Basement (New manual)
In System for Credit Office of Shipping Department (New manual)

Manuals of Merchandise Information
Men's Clothing (Revision of Retail Research Association manual)
Shoes (Revision of Retail Research Association manual)
Textiles for Departments on the Street Floor (New manual)

Manuals of Salesmanship
Hosiery (Revision of Retail Research Association manual)
Shoes (New Retail Research Association manual)
Women's Dresses (New manual)

Broadly speaking, executives and buyers in retail stores have not been particularly conscious of any responsibility for training their subordinates. Having secured whatever technique they have through "hard experience," they have seemed to expect others to acquire theirs in the same way. Moreover, rushed as they frequently are, they have appeared prone to disregard those duties not involving their own status and not indicative of immediate results. They seem to have been dominated by the idea of the necessity for personal achievement. Accordingly they have neglected the larger benefits to the store to be derived from the kind of teamwork in which all the participants are properly trained, for those resulting from the individual performance of their own duties.

Under the circumstances, to inculcate in executives and buyers a proper appreciation of the relative im-

portance of training their own personnel and to stimulate them to assume direct responsibility for the discharge of this function, has been a large task for the Training Department. It has assisted these persons in knowing what instruction to provide, in making out plans for it, in organizing its content, in teaching them how to present it, in checking it up and evaluating it. In the future selection of executives, emphasis should be placed on their teaching ability. This will lighten the task of the Training Department in supervising them.

THE RESULT

Organized training has been in existence at Filene's almost twenty-five years. According to a report of the Retail Research Association "it has occupied in the eyes of the Management a far more important place than has been accorded it by any other store which is a member of the Association or possibly by any other large store throughout the country." "This importance," the report states, "has been emphasized not only through the establishment of the Training Department years ago when training departments were relatively unknown in department stores, but also through the size of the training staff. . . ." In the light of these statements and as a summary of our discussion, we may well take stock here of the results.

First, as to the training of salespeople. Of all groups of employes, their need, from the point of view of the relationship of a store and its clientele, is the largest and perhaps the most conspicuous. For them store system has been thoroughly organized and is being effectively presented. Correction of errors has been relegated to its proper place in the curriculum; it no longer occupies

the center of the stage. Courses in textiles, color, line and design and general salesmanship are now being given to all new salespeople and gradually to all other salespeople. Information on the merchandise of a number of departments has been compiled in the form of manuals. Standards for the care of various stocks are being developed. And a beginning has been made in the study and teaching of salesmanship as it applies to particular departments.

Increasingly it is becoming evident that general courses in textiles, color, line and design, as well as in salesmanship, must be supplemented by instruction in their application to the work of each selling department. To develop salespeople who will know all the essential facts about their merchandise, who will be able to interpret the needs of customers and render them skilful and courteous assistance in meeting those needs, is a large task. As yet, its surface has been hardly more than scratched.

For the positions of floor superintendent, section supervisor, head of stock, and floor or refund clerk the content of instruction has been compiled and methods of presenting it carefully worked out.

In the non-selling section of the service pyramid, training has been developed for the position of cashier-examiner, marker, elevator operator,[1] chauffeur[1] and others in the Shipping Department. For only two positions in the merchandise pyramid, those of assistant buyer and merchandise clerk, and for none in the finance pyramid, has instruction been organized. In addition, a course of special training has been devised for a

[1] This training is supplementary to that required for obtaining a license to fill this position.

limited number of promising candidates for executive positions.

It is evident that only a part of the content for training in the work of the store has yet been compiled. More has been organized for the selling departments than for other sections of the business. But there are still a number of these where little has been accomplished in analyzing the task of training and in collecting information for the purposes of instruction.

Apparently no attempt has ever been made to determine the needs of the whole store for training and to make plans for meeting them. Impracticable as it might be to try to execute such plans all at once, there is a distinct advantage, it seems to us, in tentatively laying out the field, in defining the problem. Then any program for the development of a part of the field, for a solution of a part of the problem, would be made in relation to the whole. This relationship is likely to make for a more effective and economical performance than probably otherwise would be possible.

If in 1922 an inventory had been made of the needs for training and the extent to which they had been met, it is doubtful if training would have been decentralized in such a wholesale fashion. After all, one of the first essentials to the efficient administration of training executives is, broadly speaking, organization of the content of instruction. This is in the nature of research and in the initial stages, at least, a process which executives cannot very well be expected to carry on.

Undoubtedly the method followed by the Training Department, in developing the content of instruction for various positions, has been somewhat responsible for lack of greater accomplishment in this task. It has

been one of the functions of the craft groups, it will be recalled, to analyze their jobs and to record this analysis in a manual. Participation of workers in determining their standards and methods of work and in defining them in written form, has been, since 1912, one of the basic principles governing training. That the craft group enabled both its members and the Training Department to obtain thorough understanding of specific jobs is not to be doubted. But future employees cannot have the benefit of such a pioneering educational experience. Once the knowledge has become crystallized and recorded, would it not be a waste of time to fail to employ it as the content of a more direct method of instruction—indeed, of decentralized training?

The question, therefore, may be asked here, as to whether a research department could not have done all this job analysis and standardization more quickly and economically than the Training Department and without sacrificing the participation of the workers concerned in it. Good functional organization would seem to assign such work to a research department. The technical knowledge of persons who are supposed to be experts on organization would seem to be more valuable in building up effective working methods than the judgments of workers and members of a training department.

A store that has to compete actively with other stores wants to achieve the best possible organization of its work in the shortest possible time. The defining of their duties by groups of executives and non-executive workers, that is, the making of their own job analyses, takes more or less time, according to the complexity of the work and the other uses to which the group may be

diverted. A manual of practice may take a few weeks or several months to prepare. The fact that the Research Department at Filene's had not analyzed work, in departments where it had tried to do so, in a fashion entirely satisfactory to the Training Department, does not prove that job analysis is not a function of a research department or that it could not have performed it adequately. Nor would the assignment of this task to the Research Department have made less necessary or desirable the participation of both the workers concerned and the Training Department.

But that training should have been decentralized before the content of instruction had been developed, seems to us to have put the cart before the horse. Almost complete decentralization, then almost complete centralization and finally large decentralization with a certain amount of centralization for the purpose of training executives to teach and of giving certain instruction more economically than otherwise—this has been the cyclical order of development in the organization of training at Filene's.

PART FOUR
CONCLUSION

CHAPTER XXIII

SUMMARY AND RESULTS

WHAT are the significant features of the Filene personnel program as it has operated since the establishment of the store in 1881? How effective has this program been? And what part in it has been played by employe participation in management? These are the questions with which the conclusion of this study deals.

SIGNIFICANT FEATURES OF PERSONNEL PROGRAM

1. Integral Part of Management. From the very foundation of the Filene store, the problem of personnel has been treated as one permeating management. In almost all occupations represented in the organization, the human being is the important unit of production. As yet, at any rate, machinery has comparatively little place in the process of retailing. How, then, in the long run stimulate and sustain the most productive effort of their employes? This is the problem which the Filenes and their associates have had ever before them. To it, therefore, the present policies and practice of their personnel program developed over a period of forty-five years and more are the answer.

In other words, personnel administration at Filene's has not been tacked on as a frill to management or as an afterthought suddenly created by the stress of wartime production. Nor was it devised for purposes of

publicity, however much it may have served them. Furthermore, it was not stimulated by philanthropic feelings or sociological considerations. Rooted in a philosophy of co-operation, it has grown up as an organic part of management, cutting across its entire content, as a body of policies and methods designed to insure the permanency, profit and service of the business. Its level of excellence has been no higher, no lower than management. Indeed so integrally related has personnel practice been to all of management that it seems reasonable to assume that neither it nor the conditions directly resulting from it could have maintained continuously a level above the general level reached by management as a whole.

2. *Early Establishment of Organized Provisions.* Consistent with good managerial practice, the task of employing and maintaining a satisfactory personnel was early analyzed and special machinery established. Recruiting, selection, wage-setting, transfer, promotion, withdrawal from employment, record-keeping and training are now carried on through the Personnel Division of the store organization. Participation by employes in determining their conditions of work and in other problems of management and their possible participation in ownership were provided for through the Filene Co-operative Association and the by-laws of the new corporation.

Naturally this machinery was not set up all at once, but is the result of a more or less gradual growth. Informality characterized the means employed by the Filenes to stimulate their employes to their best efforts from 1881 up to the late nineties. During these years employes were comparatively few and William Filene

and his sons performed practically all the executive work of the store and did its buying. But by 1900, the Filene Co-operative Association had been established as a medium through which relations with employes could be more formally organized. An employment department is mentioned as functioning as early as 1903; and systematic training was inaugurated in 1902, though it was not separated from welfare work until 1906. Beginning in 1903, profits were shared with executives and specialists; in 1913, however, a plan was worked out by the stockholders by which profits were to be distributed among *all* employes. Moreover, in 1912, provision was made in the by-laws of the new corporation by which the Filene Co-operative Association might possibly participate in the future ownership and control of the company. Thus relations with employes at Filene's are characterized not only by an unusually wide range of provisions embodied in forms of organization but also by their comparatively long duration.

3. Promotion Policy. Among the many written specifications governing the functions included in the Personnel Division, one is on the subject of promotion. According to this, it is the policy of the company "to fill vacancies wherever possible by the promotion of people in our store." That this policy has been applied, is indicated by the fact that over two-thirds of the executives and specialists on the payroll for the week ending October 2, 1926, were employed originally in the store as operators or rank-and-file workers.

4. Method of Training More or Less Constant. In no store anywhere, perhaps, has the training of employes commanded more attention than at Filene's. Out of

the simple instruction devised over twenty-five years ago to avoid errors in store system, an imposing curriculum has gradually developed. While its forms have varied considerably, the philosophy underlying them has been fairly constant.

In the opinion of the Filenes, training for store work is a co-operative enterprise. They have believed that to the development of standard practice for any job, and therefore to the content of training for it, employes engaged in it and related jobs have much to contribute. Accordingly, group training, which has been the predominant form of training in the store, has exemplified this belief. Members of the group have aided in defining the methods of performing their work and in recording an up-to-date statement of them. This feature has already been alluded to in our discussion of employes' participation in management.

More variable than the method underlying training has been its form of organization. In the beginning, training was decentralized. With the exception of the informal meetings held at the home of William Filene, each executive instructed his own subordinates. But as the store grew and the need for systematic training became urgent, a training department was organized. Gradually this department took over most of the training and administered it directly through members of its staff. This it considered essential in order to organize the content of instruction for various jobs. In 1922, however, a policy of rather wholesale decentralization was inaugurated. According to this, executives became responsible for the training of their subordinates. In certain instances, however, where more economical, the Training Department has continued to give in-

struction directly. But for the most part its function is to teach executives to train those responsible to them. Thus the organization of the training function would seem to suggest a cyclical development.

5. *Employe Participation in Management.* By far the most outstanding principle governing relations with employes at Filene's and the point of departure of this study is their participation in management. Organized as the Filene Co-operative Association, they have enjoyed for over twenty-five years large powers for such participation. Subject to veto by the Management, the legislative powers of the Association have enabled it to initiate, modify or cancel store rules "concerning store discipline, working conditions or relations or any other matter except policies of the business." Any measure, moreover, may be passed over a veto, by a vote of two-thirds of the entire membership of the Association.

In practice the Association has exercised its legislative powers chiefly in relation to personnel problems. But wages, perhaps the most important of these problems, it has scarcely touched. Nor can the shortening of the working week experienced by the members of the Association during this twenty-five-year period be credited to any initiative on its part, though winter vacations may be. Furthermore, on the amount of profit shared in the form of bonuses, the Association has never had any say. Even more, the power it originally exercised in relation to methods of distributing bonuses has been curtailed. Nor has it made any protest at this curtailment. The chief objects of its legislation have been matters of discipline and "welfare." Indeed, it has legislated into existence a wide range of welfare activities. Among them are two restaurants, an insurance

society, a clinic, a credit union, a library, a house organ, a men's club, a women's club, a girls' club, various educational classes, musical and athletic organizations and a number of personal services. Hardly a need exists in this field that has not been provided for.

Outside of personnel problems, the Association has participated in management through its Suggestion Committee and various committees to promote sales. Particularly effective have been some of the latter.

Most vitally, however, the Association has participated in management through the exercise of its judicial powers. These are embodied in an elected Arbitration Board, on which the Management is not represented. Since 1903 these powers have permitted the Association final jurisdiction in any dispute or grievance properly appealed to it by any of its members. That the Board has accomplished its purpose in correcting and preventing injustices, there is no question. But its potentiality for partisanship and its tendency to lessen the authority of executives and to prevent them from dismissing unqualified subordinates constitute risks for the Management. With proper precaution, however, these may be minimized.

Another medium for the Association's participation in management was found in its nominees to the directorate of the corporation. From 1914 to 1928 they numbered four of the total 11 members. However, with the exception of the executive secretary of the Association, all F. C. A. directors were important store executives and, on the whole, voted in accordance with their specific responsibilities as such. Upon an attempt to make its nominees responsible to it, the Council was informed by one of the vice-presidents appointed to represent the di-

rectorate that F. C. A. directors were "under no obligation to report to the Council on any matter or be guided or instructed by the Council as to their votes." Under the circumstances, the F. C. A. directors had little meaning for the Association. Certainly they had no appreciable effect on its participation in management. In the reorganization of 1928, this privilege of nominating directors was withdrawn from the F. C. A.

Actually, then, Filene employes have participated in management to a considerable degree. But their participation has been quite incommensurate with their defined powers. This disparity may be explained first of all by the omission of the owner-managers to formulate and execute a program continuously to stimulate employes to use these powers and by their unwillingness to carry out their personnel principles to their logical conclusion. Second, employes have been conspicuously indifferent and inert. Among the possible factors accountable for this are the following: the predominance of women and girl workers, the comparatively short length of service of the majority of employes, their ignorance of the problems of management, their lack of a program for improving their status, their satisfaction with conditions of employment at Filene's, the fear of losing commissions on sales and of incurring the animosity of executives by too active participation in the work of the Filene Co-operative Association, the organization of the Filene Co-operative Association according to location of employes in the store rather than on an occupational basis, the self-interest of important executives other than the owner-managers and their failure to identify themselves with the philosophy on which the store has been built, and finally the differ-

ences of opinion which developed among the owner-managers. Most important of all is the fact that the directors representing the employes did not have powers equal to those directors who were also stockholders; this lack was inherent in the legal powers of stockholders ultimately to determine the underlying policies of the business, including the share of employes in its management. They could give representation and withdraw it at will.

6. Employe Participation in Profits. The second important principle adopted by the Filenes to promote satisfactory relations with their employes was participation in profits. Since 1906 the company has shared with at least a part of its personnel the profits of the business. From 1916 to date these have been distributed in the form of an annual bonus. This has been defined as "an extra reward for extra effort." During this period bonuses have been awarded to executives and specialists and to non-selling operators. To the former the Management has made awards on improvement in profit and meritorious performance generally, but since 1921 it has abandoned the formulation of predetermined standards as a basis for making awards. For several years the bonus awarded non-selling operators has consisted of three weeks' wages. Salespersons have received no bonus. The commissions on all sales throughout the year have been considered by the Management a substitute for the bonus.

The annual bonus was adopted as a substitute for the profit-sharing plan approved by the stockholders in 1913. This proposal provided for a division of the net profits into two equal parts, one part to go to the Management and the other to employes other than members

of the Management in accordance with their salaries. This plan was not to become operative, if at all, until after the contributed surplus had been repaid to the common stockholders, and it was finally withdrawn by them. Two factors were responsible for the abandonment of the proposal and the substitution of the bonus as the more acceptable form of profit sharing. The first was that profits distributed according to the proposal would have been taxable by the federal and state governments; the second, the Management's belief that profits distributed on the basis of salaries failed to elicit extra effort.

Among both the major and minor executives interviewed on the subject it was the consensus of opinion that bonuses tended more and more to stimulate executives and specialists to better performance. On the other hand, they agreed that the work of other employes, that is, the rank and file, gave little or no evidence of having been favorably affected by the awards. As a result, the percentage of the total bonus awarded executives and specialists increased and that awarded to other employes decreased.

7. *Employe Participation in Ownership and Control.* The third principle in the Filene program of industrial relations provided for the participation of employes, through the Filene Co-operative Association, in the future ownership and control of the business. To absentee ownership and control of the store, the Filenes always have been unalterably opposed. They have chosen actively to identify themselves with the store as general manager and assistant general manager and to retain throughout their more vigorous years majority control of the stock (52 per cent). The re-

mainder (48 per cent of the voting stock) they divided in 1912 equally among four associates, each of whom became responsible for one of the four pyramids into which the store was divided. These four are now reduced to two. But the Filenes also in 1912 agreed to transfer in 1928 four per cent of their 52 per cent of voting stock to their associates, thus giving these latter majority control. Furthermore, there was an understanding that on their withdrawal from active participation in the business transfer should be made of their remaining per cent, presumably 48 by that time, to "employes other than members of the Management, or to the Filene Co-operative Association."

The chance, however, that the Filene Co-operative Association eventually might obtain the voting common stock of the Filenes was ended in the financial reorganization of 1928, already fully described. The failure of the Association eventually to participate in ownership and control was perhaps inherent in the tentative nature of the provision governing it. Certainly, specific plans for its practical application were never thought through or put into operation. As the business grew and its success increased, the tendency was toward concentration of ownership and the major functions of management.

If participation by the Filene Co-operative Association in management and in profits had been definitely linked up with possible participation in ownership, the latter might have been achieved. But as the first two of these principles were put into practice, they had no connection with the third. Moreover, the relation which originally existed between the Association's participation in management and in profits suffered a

severe blow when its share in planning the distribution of profits was curtailed.

8. High Status of Personnel Function. In accordance with the relation of personnel to management accepted by the Filenes and their associates and the machinery set up to deal with it, the personnel function has occupied a position of significance in the organization. Early the employment manager was made a member of the store's Board of Trade; and the first director of welfare reported directly to the general manager, but later to the superintendent of employes. Also, since his employment, the executive secretary of the Filene Co-operative Association in his responsibility to the Management has reported directly to the vice-president in charge of the store. Moreover, for a number of years he was one of the Association's candidates elected by the stockholders to the directorate of the corporation.

In 1914, two years after the formation of the new corporation, the Employment and Training Departments became directly responsible to the vice-president in charge of the store. A further advance in status occurred in 1921, when these two departments, together with the clinic, were amalgamated into a personnel division and the executive in charge, the personnel superintendent, became a member of the Operating Committee. Subsequently, however, in 1925, the Personnel Division incurred a loss in status, when it was made directly responsible to the store manager, its employment manager eliminated and its superintendent dropped from the Operating Committee.

Another indication of the importance attached to personnel practices is to be found in the eminence of some of the men enlisted in a consideration of its prob-

lems. One of the first of these was the late Frank Parsons, engineer, lawyer, economist and professor of law at Boston University. To students of the subject he is also known as "the father of vocational guidance." Some of Professor Parsons' letters and memoranda on various aspects of employe relations in the store are still extant. Among other things he advocated as early as 1903 representation of the Filene Co-operative Association on the directorate of the corporation. He gave talks to the employes of the store, attended meetings of the directorate and conferred frequently with the Filenes. Judging from his memoranda, he seems to have given himself generously to a profound consideration of human relations in the business of the store.

A better known participant in the formulation of Filene personnel policy has been Justice Brandeis. For a number of years he was a member of the law firm which has long served as legal counsel to the company. In this capacity he played a leading role in the framing of the first by-laws of the corporation. And these, as has been indicated, contained provisions important from the standpoint of personnel.

Another who played a part in the evolution of the Filene personnel program was the late Robert G. Valentine, one of the first industrial counselors. He was retained in 1914 by the Management to advise and assist it.

Ernest M. Hopkins, already mentioned, several years prior to his election as president of Dartmouth College, was also employed at Filene's. Unlike the other men noted here, he occupied a regular position in the store, that of employment manager. Nor had he served in this capacity very long when he was elected president of the Filene Co-operative Association.

Another type of ability enlisted to improve personnel administration, among other things, was that represented by the late Frank B. Gilbreth, engineer, motion-study specialist and redoubtable champion of scientific management. In 1923 he was engaged to make a rapid-fire study of particular parts of the organization.

Many others, both inside and outside the store, have participated in the development of the Filene experiment. For the firm has ever stimulated and welcomed suggestions from qualified groups and individuals. Nor on the whole, has it hesitated to give these suggestions a trial.

So much, then, for the outstanding features of the Filene personnel program since its inception some forty-five or more years ago. As indicated in Parts II and III, there are many others of importance. But the foregoing seem to us the most significant.

As a whole, the program early contained the seeds of a singularly complete experiment in co-operation between employer and employe. But these seeds, it must be remembered, were planted by the employer. One of them, employe participation in the future ownership and control of the business, has been dug up and cast aside. Employe participation in both management and profits has more or less flourished, but in neither has it attained its full development. Nor, in view of the present tendency toward concentration as opposed to diffusion in ownership and control, management and profits, are these principles likely to reach greater fulfilment. For this likelihood, however, employes themselves are more than a little responsible. Their lack of initiative in using their powers for participation in management has been conspicuous. Indeed, their inertia

in this matter raises question as to whether the progressive development of experiments in industrial relations, at least in companies like Filene's, where the workers are not affiliated with others outside, is not dependent on the continuous supervision and leadership of the management.

EFFECTIVENESS OF PERSONNEL PROGRAM

Purpose in any field of activity is the general criterion by which performance in that field is usually judged. Each provision in the Filene personnel program probably has one or more purposes. These vary in their degree of particularity and in their relation to the objectives of the business. The Arbitration Board of the Filene Co-operative Association, for example, was established specifically to correct injustices. Why correct injustices? To create goodwill. Why create goodwill? To stimulate productive effort. Why stimulate productive effort? To attain the objectives of the business. Profit-sharing, on the other hand, was instituted directly to stimulate productive effort, a purpose, as here defined, one step nearer than that of the Arbitration Board to the goal of the business. But lack of distinction among the objectives of the personnel provisions and their large variety make it difficult if not impossible to determine the effectiveness of each in terms of its particular purpose. Increase of productive effort would seem to be the most significant common denominator to which these many purposes may be reduced. How to measure productive effort? Unfortunately, no very exact test is available. But the extent to which the aims of the business have been attained would seem to serve as a rough index. The results, then,

of Filene personnel policy, we shall try to measure in terms of its ultimate purpose, the development of a permanent, profitable and serviceable business.

Permanency. As applied to their store, permanency did not mean to the Filenes indefinite continuation. They only hope that it will continue for a reasonable period after they relinquish control of it. The end of this period, Edward A. Filene has defined as the point beyond which the personal influence of himself and his brother would cease to be a factor in the daily operation of the store. The requirement essential to the passing of that point would seem to be the evolution and application of sound method. Illustrative of what appears to us to be the use of sound method are the following: the definition of policies, standards and methods of performance; the budget and expense control system; and the model stock system. To cite evidence of the application of an intelligent methodology to personnel relations would be to review much of this study. In so far, then, as the development, over a period of more than forty-five years, of a carefully devised technique for managing a business is any guarantee of its permanency, the permanency of the Filene business would seem to be assured.

Perhaps, also, the record of the growth of the store in sales is not without significance as an index of its future development.

Profit. The Filene store has made money. In only one of the years from 1899 to 1926 has it failed to make a net profit.[1] That year was 1913, the first in the new store. But the Filenes have always held that a retail

[1] In 1927, the annual net sales amounted to $28,473,565 and in 1928 to $30,372,457.

TABLE 15.—TOTAL ANNUAL NET SALES, 1899–1926, BY YEARS

Year	Net sales
1899	$ 480,468
1900	554,424
1901	770,550
1902	1,165,183
1903	1,515,651
1904	1,816,188
1905	2,504,794
1906	2,688,860
1907	2,879,479
1908	3,130,147
1909	3,811,665
1910	4,138,047
1911	4,231,888
1912	4,810,899
1913	8,466,487
1914	9,431,957
1915	9,793,862
1916	11,640,957
1917	13,294,509
1918	14,276,749
1919	16,625,036
1920	20,994,513
1921	23,270,726
1922	23,340,049
1923	24,952,114
1924	25,462,601
1925	25,723,908
1926	26,299,753

apparel store, organized and operated scientifically, should make its best showing when business was bad. In such an organization stocks would be low. In buying it could take advantage of the cut in prices usually prevalent at such times. Both the consumer and the store should profit thereby. And they have at Filene's. In 1921, a year of severe industrial depression, for ex-

ample, Filene's was the only one of the 19 stores in the Retail Research Association to go ahead of its previous year's sales. Increase in sales was accompanied by increase in profits.

According to the business philosophy of the Filenes, profit is an inevitable result of satisfactory service to consumers. In 1899, as already indicated,[1] the sales of the Filene store amounted to less than one-half million dollars; in 1926, to over 26 millions. Some percentage of this increase, to be sure, is due to a rise in prices. But in such a highly competitive field as retailing, it is probable that only a business which gave substantial satisfaction to its patrons could boast of so large an increase in sales.

The annual net profit at Filene's from 1905 to 1926, (1913 excepted), has ranged from 1.3 per cent to 8.6 per cent of the sales for the year, the larger percentage falling in the latter years.

Service. To how great an extent this store has achieved its service objective, first, of selling goods at diminishing prices or increasingly giving per dollar spent by the consumer goods of better quality and, second, of giving him skilled and courteous service, is not so directly evident. Unlike certain department stores and chain drug and grocery stores, Filene's does not do what is known as a "cut-rate" business. This may be defined as one which sells trade-marked or nationally advertised products as well as others at prices below standard and for cash only. It is the policy of Filene's to maintain the standard price of any trade-marked article and to sell on a credit as well as on a cash basis. Stores adhering to this policy, which is a mark of

[1] See Table 15, p. 444.

"regular retailing," look askance at the practice of cutting rates. Filene's is but one of a large number of establishments which belong to the system of regular retailing.

Whether or not the Filene Management succeeds in operating its business at less cost than its competitors, it is impossible to state. Comparable data from competing stores are not available by which to judge. But if it does, there is no evidence to show that these costs, except in the automatic bargain basement, result in lower prices to the consumer.

The automatic bargain basement, however, does furnish rather spectacular evidence of the effort made by Filene's to give to the public reliable goods at low prices. Overhead costs are kept at a minimum and the automatic mark-down system forces a quick turnover of stock. But bargain basement merchandise, it must be emphasized, is bought as job lots. These lots are usually the result of mistakes or failures on the part of manufacturers or wholesalers or both. Bargain basement methods obviously could not be applied to the merchandise carried in the main store and the men's store. But the methods of merchandising applied in the latter are designed to provide always "the right goods, at the right time, in the right quantities and at the right prices." Regular stocks lend themselves to the development of scientific merchandising much more than do those of the bargain basement. And scientific merchandising means having continuously fresh stocks, goods that customers want, rather than goods that the store wants to "palm off" on them. The idea of the automatic bargain basement was Edward A. Filene's. In recent years he has been increasingly interested in

the possibility of lower costs in the field of distribution, comparable with the lowering of costs and prices through mass production. In the Filene store, however, he has not carried out experiments in this direction, chiefly, no doubt, because his partners were not in accord with his ideas.

Filene's has made other efforts to reduce the cost of distribution to its consumers. During the war it tried two experiments in this direction. The first was the levy of a fee of 50 cents per month on all customers who maintained credit accounts. The second was a charge of 10 cents per package for delivery. Payment for credit and delivery service by those who demanded them would, it was assumed, prevent the distribution of the charges entailed in these services among those who did not require them. But customers who had previously had credit accounts complained at the charge for this service. Those who insisted on delivery service were loath to pay for it. The majority of other customers, in whose interest these charges were made, were indifferent toward them. Furthermore, competitors were unwilling to adopt similar practices and met the lowered price without making the charge. These facts led to their abandonment.

More directly reflective of the effects of the personnel program is the second aspect of the Filene objective of service, the treatment accorded customers by employes. First-hand evidence regarding the achievement of this was gained through our own experience as customers, as workers in several departments and as observers generally.

A number of employes other than salespeople come in contact with customers. Among these are floor

superintendents, elevator operators, chauffeurs, their helpers, door men, and clerks in the credit office. Broadly speaking, all of them seemed to us not only well trained in their particular work to satisfy customers' demands, but alert, courteous and anxious to be helpful. Moreover, their attitude gave the impression of contentment and cheer. These opinions have been confirmed by customers of whom we made inquiry.

Judged then by the criteria of profit, service to customers and provision for perpetuating the business, the policy of the Filene store in its relation to employes seems to have been a success. Judged by its answer to the question upon which this study has focused attention—the methods and results of sharing management with employes—its experience is incomplete. The history of its policies and procedure in its Employment and Training Departments has practical value for other companies, though the store cannot be said to have blazed new trails in dealing with these problems. In its most unusual feature, the possibility of an ultimate share in ownership for the rank and file of employes, the experiment ended before it began. The participation of employes in profits, which differed from other profit-sharing plans in being connected with employes' participation in management, was finally limited to a small group and turned into a bonus plan, which made that part of the experiment also inconclusive. In the sharing of management, the experience of the store is substantial and by no means discouraging. The Arbitration Board, with its protection for employes against unjust discharge, placing as it does the whole final decision in the hands of representatives of the rank and file, is probably unique in the history of industrial relations.

The Filene Co-operative Association has shown itself able to handle successfully many features which have added to the comfort and happiness of employes. On several occasions it has participated actively in efforts to promote sales. Its possibilities, however, have not been fully realized by the employes themselves, nor has the Management sought to develop them through careful planning and forethought. Perhaps the ideas embodied in the Filene Co-operative Association may yet attain a larger development, though the abandonment of all hope of ultimate participation by employes in ownership and the trend toward concentration of power and control in the hands of a few would seem to discourage such development. For other stores and companies, however, the experience as a whole, over a quarter of a century, has the value of a patient and detailed experiment with both positive and negative results.

APPENDIX A
TABLES

TABLE 16.—AGE OF EMPLOYES ACCORDING TO TYPE OF OCCUPATION AND SEX

Years of age	Operators						Executives				Specialists								Total		Grand total
	Selling		Office		Other		Major		Other		Buyers		Assistant buyers		Special training course		Other				
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
Less than 16	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
16 and less than 17	–	–	–	2	4	4	–	–	–	–	–	–	–	–	–	–	–	–	4	6	10
17 " " " 18	–	3	1	6	20	16	–	–	–	–	–	–	–	–	–	–	–	–	21	25	46
18 " " " 20	4	31	14	32	52	64	–	–	–	–	–	–	1	–	–	–	–	–	71	127	198
20 " " " 25	22	180	52	120	86	143	–	–	1	1	1	–	8	3	–	4	9	8	179	459	638
25 " " " 30	22	208	23	99	43	64	–	–	7	4	3	1	9	7	2	–	11	9	120	392	512
30 " " " 35	37	178	9	55	32	36	–	–	19	12	13	9	10	12	–	–	8	6	128	308	436
35 " " " 40	35	172	4	26	36	45	1	–	22	14	6	7	2	6	–	–	10	8	116	276	392
40 " " " 50	44	215	3	11	48	62	3	–	23	17	6	10	1	3	–	–	6	10	134	328	462
50 " " " 60	21	48	2	1	43	38	1	–	14	4	3	4	1	2	–	–	1	1	86	98	184
60 or more	6	4	–	1	23	9	–	–	3	–	–	1	–	–	–	–	2	–	34	15	49
Total	191	1,039	108	353	387	481	5	–	89	52	32	32	32	31	2	4	47	42	893	2,034	2,927[a]

[a] Of the 2,956 employes, 29 were not reported on; of these, 11 were selling operators (1 man and 10 women); 2 were office operators (women); 6 were "other" operators (2 men and 4 women); 4 were "other" executives (1 man and 3 women); 1 was a buyer (woman); 4 were assistant buyers (women); 1 was a specialist, classed as "other" (woman).

TABLE 17.—ACADEMIC EDUCATION OF EMPLOYES ACCORDING TO TYPE OF OCCUPATION AND SEX

Rank of school reached	Operators						Executives				Specialists								Total		Grand total
	Selling		Office		Other		Major		Other		Buyers		Assistant buyers		Special training course		Other				
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
Grammar school without graduation	50	313	7	24	115	113	–	–	19	11	7	5	–	3	–	–	9	6	207	475	682
Grammar school with graduation	32	136	6	24	42	70	–	–	7	3	1	2	–	5	–	–	3	–	91	240	331
High school without graduation	60	440	50	192	132	214	1	–	29	20	12	17	11	16	–	–	13	9	308	908	1,216
High school with graduation	17	102	30	84	42	44	1	–	10	7	4	2	7	5	–	–	2	10	113	254	367
College or normal school without graduation	9	10	8	10	7	3	2	–	10	3	3	1	7	2	–	1	11	12	57	42	99
College or normal school with graduation	1	6	6	4	–	–	–	–	10	2	1	–	2	2	2	3	6	5	28	22	50
Total	169	1,007	107	338	338	444	4	–	85	46	28	27	27	33	2	4	44	42	804	1,941	2,745[a]

[a] Of the 2,956 employes, 211 were not reported on; of these, 65 were selling operators (23 men and 42 women); 18 were office operators (1 man and 17 women); 92 were "other" operators (51 men and 41 women); 1 was a major executive (man); 14 were executives other than major (5 men and 9 women); 10 were buyers (4 men and 6 women); 7 were assistant buyers (5 men and 2 women); 4 were "other" specialists (3 men and 1 woman).

TABLE 18.—ACADEMIC EDUCATION OF EMPLOYES BETWEEN 16 AND 17 YEARS OF AGE ACCORDING TO SEX [a]

Extent of education	Boys	Girls	Total
Grammar school without graduation	1	–	1
Grammar school with graduation	–	–	–
High school without graduation	3	4	7
High school with graduation	–	2	2
Total	4	6	10

[a] No employe was less than 16 years of age.

TABLE 19.—WEEKLY WAGE RATES OF EMPLOYES ACCORDING TO SEX

Weekly wage rate	Men	Women	Total
Less than $10	11	62	73
$10 and less than $15	44	321	365
15 " " " 20	141	955	1,096
20 " " " 25	163	372	535
25 " " " 30	119	138	257
30 " " " 35	151	46	197
35 " " " 40	69	38	107
40 " " " 45	41	32	73
45 " " " 50	21	24	45
50 " " " 55	18	16	34
55 " " " 60	13	6	19
60 " " " 65	14	11	25
65 " " " 70	7	5	12
70 " " " 75	9	4	13
75 " " " 80	19	7	26
80 " " " 85	4	3	7
85 " " " 90	3	3	6
90 " " " 95	6	3	9
95 " " " 100	–	1	1
100 or more	44	12	56
Total	897	2,059	2,956

TABLE 20.—LENGTH OF SERVICE OF EMPLOYES ACCORDING TO TYPE OF OCCUPATION AND SEX

Length of service	Operators						Executives				Specialists								Total		Grand total
	Selling		Office		Other		Major		Other		Buyers		Assistant buyers		Special training course		Other				
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
Less than 6 months	35	132	11	28	73	67	–	–	2	1	–	–	–	1	1	4	1	4	123	237	360
6 months and less than 1 year	13	93	12	22	35	61	–	–	–	1	2	–	1	–	1	–	3	6	67	183	250
1 year and less than 2	30	135	18	32	61	52	–	–	6	1	–	2	1	2	–	–	2	3	118	227	345
2 years and less than 3	26	117	20	42	41	65	–	–	3	3	–	–	4	2	–	–	5	4	99	233	332
3 " " " " 4	15	86	12	29	37	43	–	–	7	3	2	–	4	–	–	–	8	4	85	165	250
4 " " " " 5	16	55	10	28	19	23	–	–	4	2	–	–	3	6	–	–	6	3	58	117	175
5 " " " " 10	39	254	20	114	73	100	1	–	24	12	15	4	9	6	–	–	10	10	191	500	691
10 " " " " 15	17	132	4	43	39	51	2	–	28	20	11	16	9	11	–	–	9	7	119	280	399
15 " " " " 20	–	30	–	10	4	15	–	–	5	6	2	7	1	4	–	–	2	1	16	73	89
20 years or more	1	15	1	7	7	8	2	–	11	6	–	4	–	3	–	–	1	1	21	44	65
Total	192	1,049	108	355	389	485	5	–	90	55	32	33	32	35	2	4	47	43	897	2,059	2,956

TABLE 21.—WEEKLY WAGE RATES OF EMPLOYES ACCORDING TO TYPE OF OCCUPATION AND SEX

Weekly wage rate	Operators						Executives				Specialists								Total		Grand total
	Selling		Office		Other		Major		Other		Buyers		Assistant buyers		Special training course		Other				
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
Less than $10	–	59	1	–	9	3	–	–	1	–	–	–	–	–	–	–	–	–	11	62	73
$10 and less than $15	–	167	4	13	40	141	–	–	–	–	–	–	–	–	–	–	–	–	44	321	365
15 " " " 20	10	582	39	146	91	225	–	–	–	1	–	–	1	–	–	1	–	–	141	955	1,096
20 " " " 25	35	178	25	118	97	69	–	–	–	1	–	–	–	1	1	3	5	2	163	372	535
25 " " " 30	45	45	16	45	42	34	–	–	1	6	–	–	7	4	1	–	7	4	119	138	257
30 " " " 40	87	16	18	20	91	11	–	–	8	13	1	–	9	17	–	–	6	7	220	84	304
40 " " " 50	7	2	4	10	18	1	–	–	16	18	1	5	8	7	–	–	8	13	62	56	118
50 " " " 75	8	–	1	3	1	1	–	–	27	10	7	10	5	5	–	–	12	13	61	42	103
75 " " " 100	–	–	–	–	–	–	–	–	15	3	8	11	2	1	–	–	7	2	32	17	49
100 or more	–	–	–	–	–	–	5	–	22	3	15	7	–	–	–	–	2	2	44	12	56
Total	192	1,049	108	355	389	485	5	–	90	55	32	33	32	35	2	4	47	43	897	2,059	2,956

TABLE 22.—ITEMIZED COST OF WEEKLY LIVING BUDGET ADOPTED BY THE MASSACHUSETTS WAGE BOARD FOR THE MILLINERY TRADE, JANUARY, 1925

Item	Amount
Board, lodging and carfare	$9.20
Clothing	2.00
Laundry	.50
Carfare	–
Doctor, dentist, oculist	.40
Church	.15
Newspapers and magazines	–
Vacation	.40
Recreation	.25
Savings	.40
Incidentals	.25
Organization dues	–
Insurance	.10
Self-improvement	.25
Benefit associations	–
Total	$13.90

TABLE 23.—EARNINGS OF EMPLOYES IN ONE WEEK ACCORDING TO TYPE OF OCCUPATION AND SEX

Earnings	Operators						Executives				Specialists								Total		Grand total
	Selling		Office		Other		Major		Other		Buyers		Assistant buyers		Special training course		Other				
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
None	2	58	2	17	16	26	–	–	1	1	–	2	–	–	–	–	1	1	22	105	127
Less than $10	–	32	–	1	14	14	–	–	–	–	–	–	–	–	–	–	–	–	14	47	61
$10 and less than $15	2	172	5	17	42	133	–	–	–	–	–	–	–	–	–	–	–	–	49	322	371
15 " " " 20	5	315	35	121	77	208	–	–	–	–	–	–	1	–	–	1	–	–	118	645	763
20 " " " 25	18	318	25	116	61	56	–	–	–	2	–	–	–	1	1	3	3	2	108	498	606
25 " " " 30	27	97	18	50	50	35	–	–	1	6	–	–	7	4	1	–	8	4	112	196	308
30 " " " 40	58	48	18	19	80	11	–	–	7	12	1	1	9	17	–	–	6	7	179	115	294
40 " " " 50	32	8	4	10	34	1	–	–	17	18	1	3	9	7	–	–	5	12	102	59	161
50 " " " 75	43	1	1	4	15	1	–	–	28	10	7	9	4	5	–	–	15	13	113	43	156
75 " " " 100	5	–	–	–	–	–	–	–	14	3	8	11	2	1	–	–	7	2	36	17	53
100 or more	–	–	–	–	–	–	5	–	22	3	15	7	–	–	–	–	2	2	44	12	56
Total	192	1,049	108	355	389	485	5	–	90	55	32	33	32	35	2	4	47	43	897	2,059	2,956

TABLE 24.—EARNINGS OF EMPLOYES IN ONE WEEK ACCORDING TO DAYS WORKED AND SEX

Earnings	Men									Women									Grand total	
	Days worked							Total		Days worked							Total			
	0	1	2	3	4	5	6	Number	Per cent	0	1	2	3	4	5	6	Number	Per cent	Number	Per cent
None	22	–	–	–	–	–	–	22	2.5	105	–	–	–	–	–	–	105	5.1	127	4.3
Less than $10	2	–	–	3	1	1	7	14	1.6	8	6	7	5	10	2	9	47	2.3	61	2.1
$10 and less than $15	3	–	1	1	3	2	39	49	5.5	5	–	–	7	8	28	274	322	15.6	371	12.5
15 " " " 20	4	1	–	–	2	1	110	118	13.1	24	1	–	–	8	44	568	645	31.3	763	25.9
20 " " " 25	4	–	–	–	–	2	102	108	12.0	10	–	–	–	1	14	473	498	24.2	606	20.5
25 " " " 30	7	–	–	–	1	2	102	112	12.5	3	1	–	2	–	8	182	196	9.5	308	10.4
30 " " " 40	8	–	–	–	1	2	168	179	19.9	6	–	–	–	–	4	105	115	5.6	294	9.9
40 " " " 50	2	–	–	–	–	3	97	102	11.4	2	–	–	–	–	–	57	59	2.9	161	5.4
50 " " " 75	–	–	–	–	–	3	110	113	12.6	3	–	–	1	–	3	36	43	2.1	156	5.3
75 " " " 100	–	–	–	–	–	1	35	36	4.0	–	–	–	–	–	–	17	17	.8	53	1.8
100 or more	–	–	–	–	–	–	44	44	4.9	–	–	–	–	–	–	12	12	.6	56	1.9
Total	52	1	1	4	8	17	814	897	100.0	166	8	7	15	27	103	1,733	2,059	100.0	2,956	100.0
Per cent of total	5.8	.1	.1	.5	.9	1.9	90.7	100.0	–	8.1	.4	.3	.7	1.3	5.0	84.2	100.0	–	–	–
Per cent of grand total	1.8	[a]	[a]	.1	.3	.6	27.5	–	–	5.6	.3	.2	.5	.9	3.2	58.6	–	–	100.0	–

[a] Less than one-tenth of 1 per cent.

APPENDIX B
THE SPECIAL ARBITRATION BOARD

THE SPECIAL ARBITRATION BOARD

THE need for arbitration machinery other than an elective Arbitration Board grew out of the institution of profit sharing among executives. Early in 1905 the Board of Directors voted that any profit-sharer might refer differences between him and the Management concerning wages, conditions affecting his progress or efficiency, or any other matter which might seem too private to bring before the general Arbitration Board, to a Special Arbitration Board. The latter, it was provided, should consist of three members: one to be chosen by the appellant, one by the Management and the third and chairman by the other two.

In establishing this Special Arbitration Board, the directors agreed that:

> This matter of submitting to arbitration such questions as wages is so radically different from the common business custom that it is reasonable to make some limitation until the experiment shall prove on trial to be a helpful one. We therefore enter upon it, reserving the right to cancel this agreement if in our judgment the best interests of our business require it.

Notwithstanding this reservation and the fact that the Profit Sharers' Club as such ceased to exist, the special arbitration machinery survived. The present Filene Co-operative Association constitution provides that:

> Upon the request of any member of the Filene Co-operative Association, a Special Arbitration Board shall be called, consisting of one person chosen by the appellant, one by the Management and a third by these two; and full effect shall be given to the decisions of this special board in like manner as to the decisions of the regular Board of Arbitration.

The absence of records makes it impossible to know how frequently the Special Arbitration Board has been used. In a report dated June, 1907, of a committee of profit-sharers appointed to consider the purpose, scope and rules governing the Special Arbitration Board, the following paragraph occurs:

> Before submitting this statement, the commission feels that the history of the cases considered (eight out of ten being unanimous in their decisions) fully justifies the plans and purposes for which this scheme of arbitration was inaugurated, and that no great change in methods is necessary.

Evidence of the use of the Special Arbitration Board is found in a discussion two years later, in July, 1909, of one of its recommendations by the Board of Directors. The Misses' Suit Department, a special board recommended, should be paid a bonus though it was 0.4 per cent short of the quota of profit required.

In 1914 at least four appeals were heard by a Special Arbitration Board. Three were dismissal cases. In one the Management was upheld; in another, the appellant. In the third, "it was unanimously recommended that the store manager extend leniency and if possible reinstate Mr. ———— because of his previous good behavior and good work." The fourth appeal was made by the salespeople in the Men's and Boys' Clothing Department, paid on a commission basis, for an annual vacation of two weeks with pay. The decision favored the appellants. In 1917 a dismissal case was decided in favor of the appellant and one in 1921 was decided in favor of the Management.

Our data on the Special Arbitration Board are too scant to warrant any more detailed discussion of it.

APPENDIX C
FORMS

NAME

NO. STREET CITY EXCHANGE NO

ADDRESS PHONE

CHANGE

CHANGE

HEIGHT FT IN | WEIGHT LBS | PHYSICAL CONDITION

INTERPRETER IN

PRIOR EXPERIENCE

MAIDEN NAME OF MARRIED WOMAN

EMP NO.

BIRTH PLACE	BIRTH DATE	RELIGION	SOURCE

American Citizen		Single		Separated		Keeps House	
Foreign		Married		Lives with Parents		Hd of Family	
Depend. Child		Widowed		Lives with Relatives		Has Children	
Other Depend.		Divorced		Boards			

SCHOOL	PLACE	DATE OF ATTENDANCE	GRAD
GRAMMAR			
HIGH OR PREP			
COLLEGE			
BUSINESS COLLEGE			
CORRES OR OTHER			
SPECIAL TRAINING			
TEST RECORD			

ADDITIONAL FACTS

RESIGNED DISCHARGED LAID OFF REMARKS

70977

4966

STORE RECORD

DATE	POSITION	DEPT	AMT	DATE	POSITION	DEPT	AMT	DATE	POSITION	DEPT	AMT
RECORD AS SPECIAL											
ENTERED REGULAR PAYROLL											

EMPLOYES' MASTER RECORD—Face

ATTENDANCE AND PUNCTUALITY RECORD

	192												192												192												192											
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RED=Absent

GREEN=Tardy

INTERVIEW SYMBOLS

A=Absence
T=Tardiness

E=Errors
S=Sales

Q=Other
(see Envelope)

RATINGS

DATE	%	DATE	%	DATE	%	DATE	%	DATE	%	DATE	%

INTERVIEWS

DATE	REMARKS	DATE	REMARKS

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41

EMPLOYES' MASTER RECORD—Reverse

THIRTY-DAY REVIEW

M_____, DEPT._____ _____192

_____ _____ _____WAS EMPLOYED
NAME STORE NO. OCCUPATION

FOR YOUR DEPARTMENT ON_____AT A WEEKLY WAGE OF $____

YOU ARE REQUESTED TO REPORT ON EMPLOYE AS INDICATED ON REVERSE OF THIS CARD, RETURNING IT TO THE EMPLOYMENT OFFICE WITHOUT DELAY.

Thirty-Day Review Card—Face

RATING

(Check in proper columns)

	GOOD	AVERAGE	POOR
Personality			
Willingness to obey orders promptly			
Appearance			
Quality of work			
Quantity of work			

Do you consider employe to be promotional probability? Yes☐ No☐

Signature _____

FORM 1055

Thirty-Day Review Card—Reverse

Form 47-A

SEMI-ANNUAL RATING AND SALARY REVIEW

M.....TITLE.....DEPT.....DATE.....

....., ..., ...
Name Store No. Occupation

will be in our employ.....on..... Each employe is to be rated by his immediate superior. You may make such recommendations for change in salary as you consider justified. Your recommendation requires the final approval of the store manager before it becomes effective. **You are therefore under no circumstances to promise your subordinates any increase you may recommend.**

Date of entrance.....Date last increase.....

Amount last increase $.....Present wage $.....

Recommended increase $.....Effective.....

SIGNED .....

APPROVED .....
Head of Division or Pyramid

Standard Wage for—this Occupation

"A" $.....

"B" $.....

"C" $.....

.....
Employment Manager Date

.....
Expense Dept. Date

.....
Vice-President

FILL OUT AND RETURN TO EMPLOYMENT OFFICE WITHOUT DELAY

NOTE: When affixing your signature, place the date beside it, as (John Jones 9–112). This will tend to make return of rating prompt.

(Over)

471

SEMI-ANNUAL RATING AND SALARY REVIEW CARD—Face

RATING SCALE FOR NON-EXECUTIVE EMPLOYES

Name.....Store No.....Dept. No.....

Present Position..... Date.....

	Excellent	Very Good	Good	Average	Poor
I. How well are you impressed with employe's **Mental Qualifications?** *(Consider general intelligence and training, thoroughness, mental alertness, ability to grasp new problems and to keep informed on latest and best methods of performing work)	15	13	12	9	6
II. How do you rate employe's **Technical Ability?** *(Consider experience in work, ability to work systematically, accuracy, speed, volume of work accomplished as shown by department record)	65	59	52	39	26
III. **Personality, Health and General Value to the Company.** *(a) (Consider character, tact, energy dependability, ability to co-operate and to secure co-operation, leadership ability, confidence). (b) (Consider physical qualifications, attendance) (c) (Consider loyalty, length of service, knowledge of company policies, interest in company activities)	20	18	16	12	8
*Items in parentheses are merely to aid executives in making proper rating.	100	90	80	60	40

METHOD OF PROCEDURE

Ring with pencil the percentage under each of the three headings which in your opinion most nearly expresses employe's worth. Total of these three figures will be employe's

Signature.....

Title.....

Total Grade.....

Form 47–A (Over)

SEMI-ANNUAL RATING AND SALARY REVIEW CARD (FOR NON-EXECUTIVE EMPLOYES)—Reverse

RATING SCALE FOR EXECUTIVES

Name.....Store No.....Dept. No.....

Present
Position..... Date.....

	Excellent	Very Good	Good	Average	Poor
I. How well are you impressed with employe's **Mental Qualifications?** (Consider general intelligence, breadth of view, education and training (particularly since employment here) ability to grasp new problems, thoroughness, foresight, analytical ability)	20	18	16	12	8
II. How do you rate his **Technical Ability?** (Consider years' experience in work in which now employed or of a similar nature, ability to handle all phases of his own work as well as an actual knowledge of work done by subordinates; proven results)	20	18	16	12	8
III. How do you rate his **Administrative Ability?** (Consider ability to organize work, to supervise, instruct and develop subordinates. What is your opinion of his powers of decision? What degree of supervision required, if any?)	45	41	36	27	81
IV. How well are you impressed with employe's **Personality and General Value to the Company?** (Consider, under "personality" character, tact, general appearance, health, enthusiasm, ability to co-operate and to secure co-operation. Under "general value to the company," loyalty, length of service, knowledge of company policies, interest in company activities not directly affecting his position, etc.)	15	13	12	9	6
	100		80	60	40

METHOD OF PROCEDURE

Ring with pencil the percentage under each of the four headings which in your opinion most nearly expresses employe's worth. Total of these four figures will be employe's

Total Grade.....

Signature.....

Title.....

Form 47–B (Over)

Semi-annual Rating and Review Card (for Executives)

The face of this form is identical to that reproduced on page 472 except that the serial number of the latter is 47–A.

F. C. A. BENEFIT SOCIETY

APPLICATION FOR MEMBERSHIP

Name.....Store No.....

Date entered on regular payroll.....

Dept..... Position.....

Address.....
(Street and No.) (City or Town) (State)

Address.....

Address.....

Address.....

.....

.....

.....

APPLICATION BLANK FOR MEMBERSHIP IN FILENE CO-OPERATIVE ASSOCIATION BENEFIT SOCIETY—Cover

YOU MAY CONSULT WITH THE F. C. A. B. S. PHYSICIAN BEFORE ANSWERING ANY QUESTION

Full Name.....

Date of Birth.....Height.....ft.....in.....Weight.....lbs.

Married.....Single.....Divorced.....Widowed.....

1. **Underline previous illnesses:** Diphtheria, scarlet fever, pneumonia, typhoid, rheumatism, hernia, disease of nose, tonsils, throat, or skin, epilepsy, syphilis, vertigo or dizziness, diabetes, tuberculosis, disease of brain or nervous system, or nervous breakdown, disease of kidneys or bladder.

2. Have you within the past five years had medical or surgical treatment or any departure from good health? If so, state when and what, and duration.

..... (Month and Year) (Nature of Ailment) (Duration)

.....

.....

.....

3. Have you ever had, or ever been advised to have, an operation?.....

4. Do you consider yourself to be in good health at the present time?..... If not you must give details to the F. C. A. Physician.

I HEREBY ATTEST TO THE TRUTH OF THE ANSWERS TO THE FOREGOING QUESTIONS.

.....
SIGNATURE OF APPLICANT

Date.....

APPLICATION BLANK FOR MEMBERSHIP IN FILENE CO-OPERATIVE ASSOCIATION BENEFIT SOCIETY—Inside Left

THIS SPACE FOR USE OF NURSE OR DOCTOR

General Physical Condition

Nutrition..... Development.....

Skin..... Scalp..... Feet.....

Throat..... Mouth.....

*Blood Pressure..... *Urine.....

*Lungs..... *Heart..... *Abdomen.....

*Extremities..... *Hernia..... *Reflexes.....

*Goitre..... *Glands.....

.....

Remarks.....

.....

.....

.....

.....

Accepted with reservations as noted.....

.....

F. C. A. B. S. DOCTOR

I hereby accept membership with reservations as noted above.

Signed..... Date.....
(Applicant)

Final Interview..... Date.....
(Head Nurse)

Pay Roll Office Notified..... Date.....
(Clinical Clerk)

* Items thus indicated to be filled in only for cases examined by Doctor.

APPLICATION BLANK FOR MEMBERSHIP IN FILENE CO-OPERATIVE ASSOCIATION BENEFIT SOCIETY—Inside Right

APPENDIX D

WM. FILENE'S SONS COMPANY BY-LAWS
ASSOCIATES' AGREEMENT
GENERAL PROFIT-SHARING PLAN

WM. FILENE'S SONS COMPANY
BY-LAWS[1]

ARTICLE I

OFFICERS AND THEIR ELECTION

SECTION 1. The officers of this corporation shall be a President, four Vice-Presidents, a Treasurer, an Assistant Treasurer, a Secretary, a Clerk, a General Manager, an Assistant General Manager, a Board of Managers, and eleven (11) Directors. Their duties, if not otherwise provided for, shall be such as the Directors may from time to time designate.

SECTION 2. The Directors, the Treasurer, and the Clerk shall be elected at the annual meeting of the stockholders. The Board of Directors shall consist of eleven (11) members. Until the annual meeting of the corporation in the year 1913, nine (9) of these shall be elected by the stockholders as they see fit, and two (2) of these shall be elected by the stockholders upon nomination of the Filene Co-operative Association; thereafter and until the annual meeting of the corporation in 1914, eight (8) of the members shall be elected by the stockholders as they see fit and three (3) of the members shall be elected by the stockholders upon nomination of said Filene Co-operative Association; and thereafter seven (7) of the members shall be elected by the stockholders as they see fit and four (4) of the members shall be elected by the stockholders upon

[1] These by-laws were originally adopted in August, 1912. As printed here they include amendments made prior to October 1, 1928.

nomination of said Filene Co-operative Association. The Board of Directors and other officers chosen at the first meeting of incorporators shall, unless sooner removed under the provisions of Section 5 of this Article, hold office until the annual meeting of the corporation in the year 1913; thereafter all Directors and other officers shall unless sooner so removed continue in office for one (1) year and until their successors are chosen and qualified in their stead. If any vacancy occurs in the Directors who are elected on nomination of the Filene Co-operative Association, the vacancy shall be filled from nominations to be made by the Filene Co-operative Association. All the other officers of the corporation, except the Board of Managers, shall be chosen by the Board of Directors at the annual meeting, and shall unless sooner removed under the provisions of Section 5 of this Article continue in office for one (1) year and until their successors are chosen and duly qualified. The President shall be chosen from among the members of the Board of Directors. A. Lincoln Filene shall be the General Manager, and Edward A. Filene, the Assistant General Manager, in accordance with any contract in force between them and Wm. Filene's Sons Company (a corporation organized in Massachusetts in 1903), which is adopted by this corporation, or any contract made in place thereof authorized by the stockholders at their first meeting or at a meeting called for the purpose. The stockholders may, by vote at the annual meeting or at any special meeting, recommend to the Directors candidates for any offices to be filled by the Directors. It shall not be obligatory upon the Directors to elect more than one Vice-President.

SECTION 3. So far as permitted by law, any two or more of the offices may be filled by the same person. No Director or other officer need be a stockholder.

SECTION 4. In case a vacancy arises for any cause in the Board of Directors or in any other office to which elections are made by the stockholders, the Directors may fill such vacancy and the person chosen by them to fill such vacancy shall hold such office until the next annual meeting of the stockholders or special meeting of the stockholders called for the purpose, and until his successor is chosen and qualified.

SECTION 5. The stockholders, by vote of a majority of all the stock outstanding then entitled to vote (exclusive of stock held by the corporation), may at any meeting called for the purpose remove from any office any Director or other officer elected by the stockholders, and proceed to fill the vacancy or leave the vacancy to be filled by the Board of Directors.

ARTICLE II

POWERS AND DUTIES OF OFFICERS

SECTION 1. *Directors.* The Board of Directors shall have general control and supervision of the business of the corporation, and except so far as limited by these by-laws, or by vote of the stockholders, or by law, shall possess all the powers, except as hereinafter provided, which can be exercised by the stockholders at meetings duly called for the specified purposes.

The Board of Directors shall not at any time be authorized to take any action against the protest in writing filed with the Secretary of the Company signed by one or more stockholders holding fifty-two (52) per

cent or more of the stock of the Company then outstanding and authorized to vote (exclusive of the stock held by the corporation).

The Board of Directors shall appoint an Executive Committee, consisting of six (6) of its members which shall have and exercise all the powers of the Board of Directors when that Board is not in session, except so far as the power of the Executive Committee may from time to time be limited by the Board of Directors.

SECTION 2. *President.* The President shall, when present, preside at all meetings of the stockholders and of the Board of Directors. He shall have authority to sign certificates of stock, and shall inform himself concerning all the affairs of the Company, and see that the duties of the officers and employees of the Company are properly discharged, that the by-laws of the Company are observed, and that all statements and returns required by law are made, and shall assume such share in the management of the business as the Directors may from time to time determine. The President shall, except as otherwise provided by the Directors, have authority to determine in what banks or banking institutions the moneys of the corporation shall be deposited by the Treasurer. The President shall have authority concurrent with that of the Treasurer to sign checks and other instruments in behalf of the corporation, and any instruments so executed by him shall be valid unless by law or by these by-laws or by vote of the Directors or stockholders required to be signed also by some other officer. The President shall, subject to the Board of Directors, have supervision and control of the holding and disbursement of all funds of the corporation and of the custody of the investments, deeds, and leases of the

corporation. The President shall furnish such bond as the Directors may from time to time require.

SECTION 3. *Vice-Presidents.* In the absence of the President, such Vice-President as the stockholders or Directors, as the case may be, shall choose, shall preside at all meetings of the stockholders and at all meetings of the Board of Directors. The Vice-Presidents shall respectively perform such other duties as may from time to time be prescribed by the Board of Directors, including signing certificates of stock.

SECTION 4. *Treasurer.* The Treasurer shall have the custody of the corporate seal and all records, contracts and agreements of the corporation. He shall keep or cause to be kept accurate accounts and books of account of all business transactions of the corporation. He shall have authority to sign and seal and issue certificates of stock of the corporation to the persons entitled thereto, and shall cause to be kept a record thereof. He shall keep a record of the transfer of shares. He shall have authority concurrent with that of the President to sign checks and other instruments in behalf of the corporation, and any instrument so executed by him shall be valid unless by law or by these by-laws or by vote of the Directors or stockholders required to be signed also by some other officer. He shall make all statements required by law to be made by the Treasurer of the corporation and shall at the annual meeting of the corporation, at the monthly meeting of the Directors, and at such other time or times as the Board of Directors may require, make a written report of the business and the condition of the corporation. The Treasurer shall furnish such bond as the Directors may from time to time require.

SECTION 5. *Assistant Treasurer.* The Assistant Treasurer shall perform such duties and shall have such powers as the Board of Directors may from time to time designate. The Assistant Treasurer shall give the Treasurer such assistance in the performance of his duties as he may from time to time request. The Assistant Treasurer shall have authority to draw checks, which when countersigned by some person or one of several persons to be from time to time authorized by the Board of Directors shall be binding upon the corporation. The Assistant Treasurer shall have no authority to execute other instruments unless authorized by the Board of Directors or by the stockholders. The Assistant Treasurer shall, if the Board of Directors so votes, give bond with surety for the faithful performance of his duties, in such form and amount as the Board of Directors may approve.

SECTION 6. *Secretary.* The Secretary shall give such assistance to the Clerk in keeping the records of the meetings as he may request, and shall perform such other duties as the Board of Directors may from time to time prescribe.

SECTION 7. *Clerk.* The Clerk shall be sworn to the faithful discharge of his duties, and shall keep records of all meetings of the stockholders and of all meetings of the Board of Directors. He shall perform such other duties as shall from time to time be prescribed by the Board of Directors.

SECTION 8. *General Manager.* The General Manager shall have full management of the store of the corporation and of the purchase and sale of goods, employment of agents, servants, and other employees, and generally of the conduct of the business of the corporation. He

shall from time to time appoint, with right to remove, a Board of Managers who shall have the powers and duties hereinafter prescribed. The General Manager shall make a monthly report to the Directors, at or before the monthly meeting of the Directors, of the condition of the business of the corporation. Whenever both A. Lincoln Filene and Edward A. Filene cease to be employed by the corporation under any contract in force between them and Wm. Filene's Sons Company (a corporation organized in Massachusetts in 1903), which is adopted by this corporation, or any contract made in place thereof authorized by the stockholders at their first meeting or at a meeting called for the purpose, the office of General Manager shall be abolished, and the duties of the General Manager shall devolve upon the President and Treasurer, to be divided between them as the Board of Directors may determine, and the Board of Managers shall then be appointed by the Directors.

SECTION 9. *Assistant General Manager.* The Assistant General Manager shall have authority concurrent with the General Manager in the performance of the duties imposed upon the latter. They shall divide between them in such manner as they shall think fit the duties to be performed by them. Whenever A. Lincoln Filene or Edward A. Filene shall cease to be employed by the corporation under any contract in force between them and Wm. Filene's Sons Company (a corporation organized in Massachusetts in 1903), which is adopted by this corporation, or any contract made in place thereof authorized by the stockholders at their first meeting or at a meeting called for the purpose, the office of Assistant General Manager shall be

abolished and all duties connected therewith shall be performed by the General Manager.

SECTION 10. *Board of Managers.* There shall be a Board of Managers appointed by the General Manager. The number of Managers shall be fixed from time to time by vote of the Board of Directors, but until and unless altered by such vote shall be four (4). Each Manager shall have charge of a section of the work of the corporation fixed by the General Manager. It shall be the duty of the Managers to assist the General Manager. The Managers shall meet once a week and as much oftener as they see fit. The Board of Managers shall at their meetings discuss and decide matters pertaining to the welfare of the business, subject to the veto of the General Manager within forty-eight (48) hours, and such veto shall not take effect until the expiration of forty-eight (48) hours unless the General Manager's right to veto the same is sooner waived in writing. If any decision of the Board of Managers is vetoed, the matter may again be taken up by the Board, and if the vote is adopted unanimously it shall take effect after six (6) days unless sooner vetoed by the Board of Directors, but the Board of Directors shall have the power to overrule any decision of the Board of Managers.

SECTION 11. *Negotiable Instruments.* No bill, or note or draft made or accepted by the corporation shall be valid unless signed by the Treasurer and countersigned by the President, except that any person thereunto specially authorized by the Board of Directors may sign or countersign in place of either.

The Board of Directors shall have power to authorize also some person other than the President, Treasurer

and Assistant Treasurer to sign checks when countersigned by some person or one of several persons designated by the Board of Directors.

SECTION 12. *Salaries.* No officer of the corporation, other than the Managers, shall be entitled to any salary except pursuant to express vote of the Directors or a contract with the corporation.

SECTION 13. *Profit Sharing.* The stockholders at the time entitled to vote, at any meeting duly called for the purpose, may from time to time establish or modify such system of general profit sharing with all or any of the employees as they may deem desirable. The Board of Directors may from time to time establish or authorize the General Manager to establish such system of bonuses, commissions, extra commissions and extra premiums and such system of departmental or general participation in the merchandise profits of one or more of the selling departments, as they may from time to time deem desirable, and may among other things at any time give to any employe extra compensation for past services in addition to that required by any contract or agreement entered into before the services were rendered, and may award such payments as it sees fit to the Co-operative Association.

ARTICLE III

STOCKHOLDERS' MEETINGS

SECTION 1. *Annual.* The annual meeting of the stockholders, to elect officers, hear the report of the Treasurer and for the transaction of other business, shall be held in the City of Boston on the last Friday in February, beginning in the year 1925, at ten o'clock

in the forenoon, at the principal place of business of the corporation, or at such later hour and such other place as the Board of Directors in any notice issued calling the meeting shall appoint. There shall be no annual meeting in the year 1912. The first meeting of the stockholders may be held at such place as the incorporators appoint.

SECTION 2. *Special.* Special meetings of the stockholders shall be called by the Clerk whenever and for whatever time ordered by the Board of Directors or requested in writing by the holder or holders of not less than one-tenth ($\frac{1}{10}$) of all the capital stock at the time outstanding and entitled to vote (exclusive of stock held by the corporation). If the Clerk when so requested refuses or fails for more than two (2) days to call such special meeting the President or Treasurer or Board of Directors or said stockholders may in the name of the Clerk call such meeting by giving notice thereof in the manner required when notice is given by the Clerk. Special meetings shall be held at such time as the notice calling the meeting specifies.

SECTION 3. *Quorum.* At any meeting of the stockholders a quorum for the transaction of business shall consist of a person or persons owning or representing a majority of the capital stock of the corporation at the time outstanding and entitled to vote (exclusive of stock then held by the corporation), appearing in person or by proxy. A less number may make reasonable adjournments of any meetings until a quorum is obtained.

SECTION 4. *Notices.* A notice of the annual meeting and of any special meeting of the stockholders shall be given by the Clerk, by delivering to each stockholder

entitled to vote at such meeting, or mailing, postage prepaid, to each stockholder entitled to vote at such meeting at his address as registered on the books of the Company, a written or printed notification of such meeting, not less than seven (7) days before the time fixed for such meeting. Any notice shall be valid as to any stockholder who acknowledges the validity thereof in writing and waives any further notice.

SECTION 5. *Place of Meeting.* All special meetings of the stockholders shall be held at the place designated for the annual meeting or at such other place as the Board of Directors may designate.

ARTICLE IV

DIRECTORS' MEETINGS

SECTION 1. There shall be a meeting of the Board of Directors on the last Friday in February, beginning in the year 1925, immediately after the stockholders' meeting or in case a majority of the Directors shall not be present then at such other time and at such place as shall be designated in a call by two (2) Directors, notice of which shall be sent by the Clerk three (3) days at least before such meeting. The regular meetings of the Board of Directors shall be held at least once each month, at such time as the Board of Directors may from time to time fix, or at the discretion of the Board at the call of the President. There shall also be a regular meeting directly after the first meeting of the incorporators.

SECTION 2. *Special.* The President or Treasurer or any two Directors shall have authority to call a special meeting of the Board. Notice of such meeting shall be

given upon request by the Clerk. If the Clerk refuses or fails for more than twenty-four (24) hours to issue such notice, the President, or Treasurer, or two (2) Directors, may in the name of the Clerk call such meeting by giving notice thereof in the manner hereinafter required when notice is given by the Clerk.

SECTION 3. *Quorum.* Eight (8) Directors shall be necessary at all meetings to constitute a quorum for the transaction of business.

SECTION 4. *Notices.* A notice of every meeting of the Directors shall be given by the Clerk by delivering to each Director or mailing to each, postage prepaid, at his address as registered.

SECTION 5. *Place.* All meetings of the Board of Directors shall be held at the principal place of business of the corporation in the City of Boston, or at such other place as the Directors shall from time to time designate and as the call for any special meeting shall specify. The first meeting shall be held at Weston, Mass.

SECTION 6. *Waiver.* Any meeting of the Board of Directors shall be valid at which a quorum of the Directors are present, if the consent of all the Directors to holding such meeting is given in writing either before or after such meeting. Such assent shall be entered upon the records of the meeting.

ARTICLE V

CAPITAL STOCK

SECTION 1. *Classes of Stock.* The authorized capital stock shall consist of ten thousand (10,000) shares of first preferred stock, Series A; twenty thousand (20,000) shares of first preferred stock, Series B; ten thousand

(10,000) shares of second preferred stock; fifteen thousand (15,000) shares of non-voting common stock; and one thousand (1,000) shares of common stock: all of the par value of one hundred (100) dollars per share.

SECTION 2. *Dividends.* (1) The first preferred stock shall be entitled to cumulative dividends at the rate of seven (7) per cent per annum, and no more, from the net profits or in the discretion of the Directors from surplus, to be paid in full before any dividends are paid on or set aside for the second preferred stock, non-voting common stock, or the common stock. Series A, first preferred stock shall be entitled to receive full payment of such dividend and of all arrears before any dividend is paid on or set aside for Series B. The first dividend on Series A stock shall be payable on the date fixed by the Board of Directors at the time of issue.

(2) The second preferred stock shall be entitled to cumulative dividends at the rate of seven (7) per cent per annum, and no more, from the net profits, or in the discretion of the Directors from surplus after payment of dividends on the first preferred stock as above provided and any other prior payments authorized by these by-laws.

(3) The non-voting common stock shall be entitled to cumulative dividends at the rate of seven (7) per cent per annum, and no more, from net profits or surplus applicable to the payment of dividends after payment or setting apart of all dividends then payable or accrued on the first preferred stock and second preferred stock at the time outstanding and of any sum that may by vote of the Directors be set apart under the existing provisions of the Agreement of Association as amended for a sinking fund on any preferred stock outstanding

and to payment of all arrears of dividends with interest at the rate of seven (7) per cent per annum on all such arrears from date of default, before any payment or distribution of profits to the holders of the existing common stock as dividends or as a distribution of profits under any profit-sharing agreement that may from time to time be in force.

(4) The common stock shall be entitled to such dividends payable after payment of all current and accumulated dividends on the preferred stock and non-voting common stock, as the Directors may from time to time declare, but subject to the provisions of any agreement for profit sharing that may be adopted and put in operation.

(5) Dividends at the rates fixed on all classes of stock in the corporation from time to time outstanding shall be payable on January first, April first, July first and October first.

(6) The Directors may at any time or from time to time set apart from any surplus assets above liabilities, or from net profits after payment of dividends on the first preferred stock, such amounts as they think fit, not exceeding in the aggregate one year's dividend on the first preferred stock outstanding as a special dividend reserve, and may at any time pay dividends on the first preferred stock wholly or in part from such dividend reserve if and so far as the net profits for any period are insufficient, giving priority in any such distribution to the Series A stock. After any such payments the Directors may again set apart sums to make good payments from said reserve. Dividends may be paid on the first preferred stock and second preferred stock

from the profits of any half year, although losses for a previous period have not been made good.

(7) The Directors may also in any year after payment of dividends on the first preferred stock, and at their option or pursuant to agreement either before or after setting apart any special dividend reserve, set apart from any remaining net profits a sum not exceeding five (5) per cent on the first preferred stock, Series A, theretofore issued as a sinking fund for the security and redemption of said Series A stock. Such sinking fund may be kept as a surplus or reserve or may be used to purchase such stock at a price not exceeding the price at which it can be retired, stock so purchased to be cancelled, or to retire such stock pursuant to the above provisions, or may be deposited in the hands of trustees to be accumulated and be used in the redemption of such stock, or in such other manner as may be fixed by agreement or as the Directors may from time to time determine.

SECTION 3. *Rights in Liquidation.* In case of liquidation or distribution of assets, voluntary or involuntary, after payment of debts,

(1) The first preferred stock, Series A, shall first be entitled to receive one hundred and ten (110) dollars per share and all accumulated and unpaid dividends; the Series B stock shall next be entitled to one hundred and ten (110) dollars per share and all accumulated and unpaid dividends before any payment is made on the second preferred stock, non-voting common stock, or the common stock.

(2) The second preferred stock shall next be entitled to receive one hundred and ten (110) dollars per share and all accumulated and unpaid dividends before any

payment is made on the non-voting common stock or common stock.

(3) The non-voting common stock shall be entitled, in case of liquidation or distribution of assets, voluntary or involuntary, after payment of debts and after payment of all sums to which by the existing Agreement of Association as amended the holders of first preferred stock and of second preferred stock are entitled, and in priority to any distribution of assets to the holders of the existing common stock, to payment of the par value of the non-voting common stock, together with all dividends thereon accumulated and unpaid, with interest thereon at the rate of seven (7) per cent per annum from the date each such dividend became in default, and an accrued dividend at the rate of seven (7) per cent per annum from the last quarterly date on which a dividend was due thereon.

(4) From the remaining assets, if any, there shall be paid all outstanding scrip issued for profits under any profit sharing agreement with any interest payable thereon according to the terms thereof; there shall next be distributed in accordance with any profit-sharing plan in operation at the time of liquidation any profits that had become or would have become distributable under said plan; there shall next be paid to the common stock its book value on the books of the corporation; if any surplus assets still remain they shall be distributed in accordance with any plan for profit sharing in operation at the time of liquidation, and if no such plan is then in operation they shall be distributed pro rata to the common stock.

SECTION 4. *Voting Power.* (1) If and whenever there is default in payment of any dividend on first

preferred stock, Series A, and such default has continued for six (6) months, the holders of said stock shall thereafter have the sole right to vote to the exclusion of all other shareholders until such default is made good and all accrued dividends on said stock have been paid.

(2) If and whenever on or after October 1, 1915, there is default in payment of any dividend on first preferred stock, Series B, and such default has continued for six (6) months, the holders of said stock shall thereafter have, except in the case and subject to the provisions above set forth, the sole right to vote to the exclusion of all other shareholders until such default is made good and all accrued dividends on said stock have been paid.

(3) If and whenever on or after October 1, 1916, there is a default in payment of any dividend on the second preferred stock and such default has continued for six (6) months, the holders of said stock shall thereafter have, except in the cases and subject to the provisions above set forth, in the two preceding clauses, the sole right to vote to the exclusion of all other shareholders until such default is made good and all accrued dividends on said stock have been paid.

(4) The non-voting common stock shall have no voting power and shall not entitle the holders thereof to vote at any meeting of the corporation except for the purpose of giving assent to any matter to which the assent of such holders is required.

(5) Except in the cases provided in the above four clauses, the holders of the common stock shall have sole and exclusive right to vote.

(6) In all cases holders of stock shall be entitled to one vote for each share of stock entitled to vote.

SECTION 5. *Retirement of Stock.* (1) The first preferred stock, Series A, may be retired by the corporation at its option in whole or in part at any time prior to October 1, 1922, by payment of one hundred and twenty (120) dollars per share and all accumulated dividends, and at any time after October 1, 1922, by payment of one hundred and ten (110) dollars per share and all accumulated dividends. The first preferred stock, Series B, and second preferred stock may be retired by the corporation at its option in whole or in part at any time by payment of one hundred and ten (110) dollars per share and all accumulated dividends; but no second preferred stock shall be retired while any first preferred, Series B, stock is outstanding, and no first preferred, Series B, stock shall be retired while any first preferred, Series A, stock is outstanding. Notice of election by the corporation to retire any first preferred or second preferred stock shall be given not less than six (6) months before the date fixed for redemption, by notice in writing mailed to each holder of stock thus to be redeemed at the address appearing on the books of the company.

(2) The non-voting common stock may be retired by the corporation at its option in whole or in part at any time on any date fixed for payment of dividends by payment of one hundred (100) dollars per share and all accumulated dividends, including dividends to the date of such payment, provided notice of intention to retire said stock is given to the holders thereof by registered letter addressed to their respective addresses as registered on the books of the corporation and mailed not less than thirty days before the date fixed for such retirement, and by depositing on or before the date

fixed for such retirement with some National Bank or Trust Company in the City of Boston designated in such notice, the sum necessary so to retire all of the stock so called with instructions to pay for all of such stock so presented, and from and after such date the stock so called shall not be entitled further to participate in dividends. In case a part only of the outstanding stock is to be retired, shares shall be called so far as practicable pro rata from all holders of such stock, but any fraction of a share less than half shall be disregarded, and for any fraction of a share more than half, a whole share shall be called.

(3) If all the stock of any class is not called for retirement the shares to be retired shall be taken pro rata from all the stockholders of the class as far as may be and any inequalities be made up by drawings by lot. All right to further dividends on shares called as above provided shall cease on the day fixed in the notice unless upon due presentation for payment then or thereafter payment of the amount due on retirement is refused. All stock retired as herein provided shall be at once cancelled.

SECTION 6. *Increase of Capital and Additional Stock and Other Provisions.* (1) No holder of first preferred stock or of second preferred stock shall be entitled as such to share in any increase of capital. Any first preferred stock authorized but not issued or hereafter authorized may be issued and sold by the Directors without being first offered to the stockholders.

(2) No holder of non-voting common stock shall be entitled by reason of such holding to participate in any increase in capital of the corporation, or to have

any part of any additional stock that may be sold by the corporation offered to him.

(3) By vote of not less than two-thirds (⅔) of the stocks at any time outstanding and entitled to vote, and by consent in writing of not less than two-thirds (⅔) of all the first preferred stock of each class at the time outstanding, excluding in each case stock held by the corporation, the rate of dividend and terms of retirement and other provisions affecting the rights, privileges and priorities of first preferred stock, Series A, thereafter to be issued may be changed. The Directors may at the time of issue of any first preferred stock of either class hereafter to be issued reduce the rate of dividend or the amount payable as a premium on retirement or in liquidation. Upon any further issue or increase of common stock there may be such division of the common stock into classes, with such rights and priorities between the classes not affecting the first and second preferred stocks, as may be determined by vote of not less than two-thirds (⅔) of the stock at the time outstanding and entitled to vote, excluding stock held by the corporation, and no common stock having voting power shall be issued in excess of ten thousand (10,000) dollars par value now outstanding, except by vote of not less than a majority of the common stock outstanding.

(4) Except stock already authorized but not issued the corporation shall not issue any stock having a claim prior to or on a parity with the non-voting common stock, either as to payment of dividends or distribution of assets in liquidation without the consent in writing or by affirmative vote at a meeting called for the purpose of the holders of not less than seventy-five (75)

per cent of all the non-voting common stock of the corporation at the time outstanding, but the corporation may without such authority issue any stock which is deferred to the non-voting common stock as to payment of dividends and as to distribution of assets in liquidation.

(5) The Directors may in their discretion at any time make any agreement that they think desirable with and for the benefit of all holders of first preferred stock or of either class of such stock, or of the first preferred stock and second preferred stock, at the time outstanding or to be issued, requiring the maintenance of net assets of the corporation at or above a specified ratio to the amount or amounts of preferred stock or stocks outstanding, and providing that breach of such agreement continued for six (6) months shall entitle the holders with whom such agreement is made to vote to the exclusion of all other stockholders until such default is made good.

(6) In case default is made in payment of quarterly dividend on any of said non-voting common stock entitled thereto, and continues for a period of thirty days, the corporation shall not thereafter as long as any such default continues, pay in salaries, or bonus to the officers of the corporation who are managers or directors an aggregate of more than two hundred thousand (200,000) dollars a year, or at that rate for any fraction of a year.

(7) No bonded indebtedness shall be created and no mortgage be placed upon the property of the corporation without the prior consent in writing of the holders of not less than seventy-five (75) per cent of each class of the first preferred stock and the holders of not less

than seventy-five (75) per cent of the second preferred stock then outstanding, except a mortgage upon property that may hereafter be acquired, given only to secure payment of the purchase price of that particular property.

(8) All payments on the first preferred stock and on the second preferred stock, whether for dividends or in liquidation or distribution of assets, voluntary or involuntary, or on retirement of the stock, shall at the holder's option be made in gold coin of the United States of the 1912 standard of weight and fineness.

(9) The provisions of this Section 6 shall not be construed to limit or abridge any power conferred upon the corporation by laws now or hereafter in force, except that no change in the provisions of this article shall be made diminishing the rights and privileges of the first preferred stock or of the second preferred stock at the time outstanding without the written consent of the holders of all the stock then outstanding of the class so affected.

SECTION 7. *Alienation of Stock.* This section shall apply only to common stock entitled to voting power and the words "common stock" whenever used herein shall mean only such stock entitled to voting power.

Subject to the provisions of any contract sanctioned by all the stockholders at the time entitled to vote or to which all said stockholders are now parties and except as hereinafter provided, no common stock shall be transferable or rights therein acquired except in conformity with and subject to the following provisions:

(1) Any holder of common stock who desires to sell or transfer any of his shares shall offer the same to the corporation for purchase on the terms hereinafter set forth.

(2) (a) The grantee or assignee of any shares of common stock taken by legal process or acquired by pledge or otherwise: (b) the holder of any common stock except the Filene Co-operative Association, or a trustee for it, who is not or ceases to be an employee or officer of the corporation: (c) the Filene Co-operative Association or any trustee holding common stock for its benefit or any receiver or other person in case of the dissolution of said Association holding common stock for it: (d) the executor or administrator of any deceased holder of common stock shall offer all his, its, or their shares of common stock, including the stock of any such decedent, to the corporation for purchase at the price and on the terms set forth in any contract sanctioned as above provided governing the situation, and in the absence of any such contract on the terms and at the price hereinafter set forth. Any offer made pursuant to clause (1) shall be accepted by the corporation within twenty days after its receipt, and the corporation shall at the expiration of said twenty days be bound to purchase said stock upon the terms and at the price hereinafter set forth whether it has so accepted the offer or not. If any offer of common stock under clause (2) hereof is not made within ten days after the occurrence of the contingencies specified, that is, after the taking, encumbrance or acquisition under section (a) thereof, or after the holder is not or ceases to be an employee or officer under section (b) or after dissolution of the Filene Co-operative Association under section (c) or after the final appointment and qualification of the executor or administrator under section (d), as the case may be, it shall be deemed that an offer of all such stock has been made and accepted by the corporation at the

expiration of said ten days, and a contract for the purchase and sale thereof on the terms hereinafter set forth shall be deemed to have been entered into.

In case no executor or administrator has been appointed over the estate of any decedent within thirty days after his death, all rights to vote upon stock held by such decedent, and all right to participate in dividends from or distributions of profits accruing after such date shall cease, and in determining the price at which any such stock shall be sold pursuant to this article, all profits accruing subsequent to such date shall be disregarded.

After any contract by the corporation to purchase common stock from a stockholder becomes effective or after according to the foregoing provisions an offer and acceptance of such stock is deemed to have been made, the holder thereof shall no longer be entitled to vote thereon or receive dividends thereon or exercise any rights in respect thereto, and shall at once deliver the certificate for said stock to the corporation endorsed in blank, and said stock may be at once disposed of by the corporation in accordance with any provisions governing such disposal.

The price to be paid by the corporation shall in the absence of any contract sanctioned, as above provided, be the book value of the stock. The book value shall be determined as of the date of the offer by the semi-annual account of the corporation taken next before or, at the option of the corporation, next after such offer, and shall in either case include a proportionate part of such profits for the half-year then current as the stockholder would have been entitled to receive upon a distribution of profits at the end of the fiscal year, under

any provisions for distribution of profits in force at the time of the offer, or as would have been carried to the general surplus. In determining book value no value shall be put upon good will in excess of the amount carried on the books on September 1, 1922, except any amounts actually paid out in cash for any good will purchased after said date.

The purchase price of stock purchased hereunder shall be payable with interest from the date of the offer at the rate of six (6) per cent per annum in quarterly instalments on the days fixed for payment of dividends on non-voting common stock, beginning with the first such date after determination of the price. There shall be applied to such payments on all purchases at the time unsatisfied, not less than fifty thousand (50,000) dollars in each fiscal year, and at that rate for a fraction of a year, or such part of said sum as is required fully to complete all outstanding payments hereunder. Except by agreement of all persons entitled at the time to payments for stock purchased hereunder and under special contract sanctioned as above provided the aggregate amount to be applied to each quarter on instalments for such purchases shall be applied to such payments in the proportion of twelve thousand five hundred (12,500) dollars for payments on purchases hereunder (or such less amount as will complete such payments) and the aggregate amount of payments fixed by special contract, and if in any quarter a sum larger or smaller than the aggregate of these amounts is so paid the increase or reduction shall be apportioned pro rata between the two classes of payments.

SECTION 8. *Authorized Agreements as to Transfer of Stock.* Any sale or transfer of stock and any agreement

by holders of stock in relation to any sale or transfer thereof, or in relation to the disposition of dividends thereon, for a fixed or indefinite period, sanctioned by all the stockholders at the time entitled to vote or to which all said stockholders are parties, shall be valid and may be carried out, and shall be enforceable as to such stock notwithstanding any provision of these by-laws to the contrary, and without the necessity of offering to the Directors for the corporation any stock so to be sold or transferred.

SECTION 9. *Disposition of Stock Acquired by Corporation.* All common stock acquired by the corporation under the foregoing provisions shall be disposed of so that (1) if the office of General Manager is still in existence, as provided in the by-laws adopted August 16, 1912, the Management (meaning the persons filling the offices of president, vice-presidents, treasurer, and other officers hereafter created with like duties and declared by the Management for the time being to be so included) outside of the General Manager and the Assistant General Manager, shall hold forty-eight (48) per cent of all the common stock outstanding and entitled to vote, and (2) if the office of General Manager is not in existence, so that the Management shall hold fifty-two (52) per cent of all the common stock outstanding and entitled to vote, and all the remaining forty-eight (48) per cent shall be held by other employees of the corporation or the Filene Co-operative Association. The Board of Directors, whenever any common stock has been acquired by the corporation, shall dispose thereof in such manner, subject to the above provisions, as it deems best to advance the interests of the corporation and any plan of co-operation and of profit sharing

among its employees then in force; notice in writing of the proposed disposition shall first be given in writing to the Filene Co-operative Association if then in existence; if the Filene Co-operative Association does not within twenty (20) days give notice in writing of objection, or is not then in existence, the Directors shall carry out the proposed disposition; if the Filene Co-operative Association within such time does give notice in writing of objection, the Directors and the Filene Co-operative Association shall each appoint one person, who with a third person chosen by these two shall constitute a Board of Disposition which, subject to the above provisions, shall determine how the shares shall be disposed of so as best to advance the interests of the corporation and of any plan of co-operation and profit sharing among employees in force at the time such disposition is made. Stock acquired by the corporation and disposed of as above provided shall be sold for such price, not exceeding its book value, as the Directors may determine.

SECTION 10. *Dividends on Stock Held by Corporation.* All common stock of the corporation acquired by the corporation pursuant to the provisions of the by-laws and any other stock purchased by the corporation, except for retirement, shall, while held by the corporation, participate in the dividends, and the dividends thereon may be carried to the surplus or reserve account, subject, however, to any agreement then in force in respect to the application of dividends on such stock made by the original holder of the stock so purchased and approved by the corporation.

SECTION 11. *Duration of Provisions.* The foregoing provisions of this Article V as to the common stock

shall not be changed without the written consent of the holders of seventy-five (75) per cent of the common stock at the time outstanding, exclusive of stock held by the corporation.

ARTICLE VI

CERTIFICATES AND TRANSFERS

SECTION 1. The certificates of stock of the corporation shall be in such form as the Directors may from time to time fix and approve and as required by law. Each certificate shall bear the signature of the President or a Vice-President and the signature of either the Treasurer or an Assistant Treasurer.

SECTION 2. The Directors may from time to time appoint a transfer agent for transfer of stock of the corporation and a registrar of stock transfers, or either of them, as the Board of Directors may think proper.

SECTION 3. All shares shall be transferable only in writing upon the books of the corporation by the holder or his lawfully authorized attorney and upon the surrender of the certificate therefor. No new certificate shall be issued until the old certificate has been surrendered, except that the Directors may upon evidence satisfactory to them that any certificate has been lost or destroyed authorize the issue of a duplicate under such reasonable conditions as they may deem proper.

ARTICLE VII

FISCAL YEAR

The fiscal year of the corporation shall end January thirty-first of each calendar year.

ARTICLE VIII

SEAL

The corporate seal shall be circular in form bearing the words and figures: "Wm. Filene's Sons Company Massachusetts 1912."

ARTICLE IX

AMENDMENTS

These by-laws may be amended, altered, or repealed at any meeting of the corporation in the call for which notice is given that an amendment, alteration or repeal of the by-laws will be proposed if a quorum is present, and the holder or holders of a majority, or as to any provision where a larger percentage is hereinbefore required such larger percentage of the capital stock then outstanding and entitled to vote (exclusive of stock held by the corporation) shall vote in favor of such amendment, alteration or repeal.

ASSOCIATES' AGREEMENT

MARCH 1, 1913

AGREEMENT between Edward A. Filene, A. Lincoln Filene, Thomas K. Cory, John R. Simpson, Edward J. Frost and Louis E. Kirstein, hereinafter collectively called the Associates.

Wm. Filene's Sons Company, organized in 1912, hereinafter called the New Company, has purchased all the assets of Wm. Filene's Sons Company, organized in 1903, hereinafter called the Old Company, valued at one million (1,000,000) dollars for the good will and one million six hundred and five thousand nine hundred (1,605,900) dollars for all other assets. By agreement with the Old Company and among themselves the stockholders of the Old Company upon a distribution of its assets are entitled to share in the value of the assets in the following proportions:

	Good Will	Cash and Other Assets
The Associates collectively	$985,100	$1,551,800
All other stockholders	14,900	54,100

The Old Company has agreed to take in payment for said assets first preferred stock, Series B, of the New Company, of the par value of one million (1,000,000) dollars, and second preferred stock of the New Company, of the par value of one million (1,000,000) dollars, the latter representing payment for the good will.

The Associates are willing and have assented to have distributed to all other stockholders in the Old Company second preferred stock, at par, for the amount to which such stockholders are entitled in respect to good will, as above set forth, amounting in the aggregate to fourteen thousand nine hundred (14,900) dollars, par value, and first preferred stock, Series B, at par, for the amount to which such stockholders are entitled in respect to cash and other assets of the Old Company, amounting in the aggregate to fifty-four thousand one hundred (54,100) dollars, and to take collectively the balance of the second preferred stock amounting to nine hundred and eighty-five thousand one hundred (985,100) dollars, par value, and the balance of the first preferred stock, Series B, amounting to nine hundred and forty-five thousand nine hundred (945,900) dollars par value, for all their interest in the assets of the Old Company, to be distributed among them as hereafter provided.

The Associates are in addition entitled collectively to all the common stock of the New Company now outstanding.

The parties hereto, each for himself and his legal representative, and not one for another, agree each with all of the others as follows:

FIRST. The common stock, second preferred stock and first preferred stock, Series B, to which they are collectively entitled shall be distributed among the Associates and the excess of value of cash and other assets of the Old Company over the par value of stock received, constituting the surplus or reserve of the New Company, shall be deemed contributed by the Associates in the following amounts and proportions:

	Common Stock	Second Preferred Stock	First Preferred Stock Series B	Surplus or Reserve
Edward A. Filene	$2,600	$417,200	$355,000	$227,500
A. Lincoln Filene	2,600	417,200	355,000	227,500
Thomas K. Cory	1,200	16,900	27,800	17,800
John R. Simpson	1,200	16,900	27,800	17,800
Edward J. Frost	1,200	16,900	27,800	17,800
Louis E. Kirstein	1,200	100,000	152,500	97,500

SECOND. All the common stock and second preferred stock received by the several associates under the above distribution shall be delivered to Edward A. Filene and A. Lincoln Filene, to hold as trustees to secure performance of this agreement, and shall be so held by them until this agreement is fully performed; none of the stock so deposited shall be sold or in any way alienated or incumbered by the depositors during the continuance of such trust, except subject to the provisions of this agreement; and each Associate upon so depositing his stock shall deposit with it an order irrevocable during the continuance of said trust for the payment to the trustees of all dividends that may become payable thereon; all voting power upon stock deposited shall remain with the depositor. Each Associate hereby further assigns to the trustees all rights to receive any sums that may become payable to him under any profit-sharing agreement that may be put in operation, and agrees from time to time to execute any further instrument that may reasonably be requested to entitle the trustees to receive such sums.

THIRD. The trustees shall deliver to each depositor of second preferred stock a trustees' receipt or receipts, representing in the aggregate the number of shares of

Second Preferred Stock deposited by him. Such receipts shall be in the following form, shall be transferable on the books of the trustees, and shall entitle the holders to the rights specified in the receipts. Upon the surrender of a receipt with the transfer endorsed thereon, and a power of attorney to the trustees for the transfer of said shares on the books of the corporation, both duly executed, and upon execution by the transferer of such instruments as are reasonably required by the trustees to confirm their rights under said agreement to the shares represented, the trustees shall issue a new receipt to the transferee, and transfer the shares represented thereby to him on the books of the corporation.

FORM OF TRUSTEES' RECEIPT FOR SECOND PREFERRED STOCK

Wm. Filene's Sons Company
Trustees' Receipt for Second Preferred Stock.

No.....Authorized and outstanding.....shares.
$1,000,000. Par Value, $100.

This certifies that.....is entitled, subject to the provisions of the agreement hereafter mentioned, to ..... shares of Second Preferred Stock of Wm. Filene's Sons Company, standing in his name on the books of the corporation, but deposited with the undersigned trustees, pursuant to an agreement dated March 1, 1913, on file with the trustees, whereby the depositor has assigned and transferred to the trustees all rights to dividends and distributions in liquidation, until the payments specified in said agreement are fully completed. Upon completion of such payments, the holder of this certificate will be entitled

to receive said shares, and until such delivery thereof shall be entitled to all voting power thereon. The right of the holder hereof to said shares is transferable on the books of the trustees upon surrender of this certificate with the transfer herein, and a power of attorney for the transfer of said shares on the books of the corporation, both duly executed. The holder of this certificate, by acceptance thereof, agrees to execute any instruments in relation to the shares represented hereby that the original depositor of said shares by said agreement first above referred to undertook to execute.

Witness our hands this.....day of.....A.D. 19.....

.....

.....

Trustees.

I hereby assign and transfer to.....my rights in.....shares of the stock represented by the within certificate, and authorize the within named trustees to transfer the same to him on their books.

.....

Dated.....

Witness

.....

FOURTH. All dividends received by said trustees upon the stock deposited with them as above provided, and all sums received by reason of any profit-sharing agreement, shall be applied to the payment to the Associates pro rata, according to the amount contributed by each, of the amount of reserve or surplus contributed as above set forth, with interest at the rate of seven (7) per cent per annum charged semi-annually

with semi-annual rests; and after full payment of such amount and interest to the payment pro rata to said Associates, according to the amount deposited by each, of an amount equal to all dividends up to that time paid to the trustees upon the second preferred stock of the Associates deposited with said trustees, and all dividends, if any, up to that time accumulated upon said stock and not paid to the trustees, and dividends at the rate of six (6) per cent per annum on the common stock deposited with the trustees, from the time of issue to the date of such payment. In case before the termination of this trust there is a liquidation or distribution of assets, voluntary or involuntary, of said corporation, the trustees shall receive all dividends in liquidation upon the shares deposited with them, and apply the same to the payments above provided for and to the like payment of ten (10) per cent additional upon the second preferred stock so held, and ten (10) per cent additional upon the original amount contributed by the Associates to surplus or reserve, and thereafter shall pay over all remaining amounts in such manner as by-laws provide for distribution or surplus assets in liquidation.

FIFTH. Whenever the payments provided for in the preceding section have been made in full, the trustees shall deliver to the several Associates or their assignees the common stock and second preferred stock deposited by each, and distribute pro rata as above any money received by them as dividends thereon remaining in their hands, and the trust shall thereupon terminate.

SIXTH. In case and whenever a vacancy for any reason arises in the board of trustees, the surviving or remaining trustee, if any, shall by instrument in writing appoint a trustee to fill such vacancy, and if there is no

surviving or remaining trustee, the surviving original associates or associate, if any, and if not, a majority in interest of the then holders of trustees' receipts, may appoint new trustees by instrument in writing. Any new trustee or trustees so appointed shall succeed to all the rights, powers and duties of the predecessor trustee or trustees, but each Associate shall, if required, give any additional dividend order to confirm the right of any succeeding trustee or trustees.

SEVENTH. This agreement shall be binding upon and in favor of the executors, administrators and assigns of the several Associates, and the word "Associate" or "Associates" and any pronoun referring thereto shall whenever the context permits be deemed to include such executors, administrators or assigns, and the word "trustee" or "trustees" and any pronoun referring thereto shall be deemed to mean the trustee or trustees for the time being.

EIGHTH. In case during the continuance of this trust said Kirstein ceases to occupy the position in said New Company provided for in an agreement between said Kirstein, said Edward A. Filene, said A. Lincoln Filene, and said New Company, of even date herewith, superseding an agreement dated July 25, 1911, whether by act of the New Company, or the voluntary act of said Kirstein, or his death or disability, said Kirstein or his legal representatives may request the other Associates to give priority to payments under Article Fourth to him. If the other Associates or a majority of them do not agree to such priority, then if an arbitration is to be had under Article Fifth of said agreement of even date, to determine whether the New Company shall purchase said Kirstein's first and second preferred stock, the

question shall be referred to the same arbitrators to determine at the same time whether the Associates ought fairly to give such priority or not, and if no such arbitration with the corporation is to be had, the question whether the other Associates ought fairly to give such priority shall be referred to arbitrators selected, one by the other Associates, one by said Kirstein or his legal representatives, and the third by these two. In case the other Associates agree to give priority, or arbitrators decide that they ought fairly to do so, then all sums distributable hereunder to the Associates from the time said Kirstein ceased to occupy said position shall be applied to the payment to said Kirstein or his legal representatives of the balance then remaining unpaid of the amounts payable to him under Article Fourth above until the same are paid in full, after which all sums so distributable shall be applied pro rata to payments to the other Associates until all sums payable to them hereunder have been received by them, except dividends accrued on said second preferred stock subsequent to the final payment to said Kirstein or his legal representatives; thereafter the holder or holders of said Kirstein's shares of second preferred stock shall be entitled to share pro rata in any distribution made, except that the holder or holders of said shares of stock shall not share in any distribution of a sum of money not made up in a proportionate part from dividends paid on said shares, nor in any distribution made to pay to the other Associates dividends received or accumulated on their second preferred stock which were not payable on said shares formerly of said Kirstein, because held at the time by the corporation or for any other reason.

NINTH. Said Edward A. Filene and A. Lincoln Filene jointly and severally agree with the remaining parties hereto and each of them that after the termination of the trust hereunder and until of the fifty-two (52) per cent of common stock held by said Edward A. Filene and A. Lincoln Filene in the aggregate four (4) per cent has been transferred to the other parties hereto, their legal representatives or assigns, all dividends and other benefits, profits or rights accruing in respect to said four (4) per cent of the present outstanding common stock shall be distributed pro rata to and among the then holders of the forty-eight (48) per cent of said stock now held by said other parties hereto.

TENTH. Said Edward A. Filene and A. Lincoln Filene agree with the remaining parties hereto that on January 1, 1928, or if both said Edward A. Filene and A. Lincoln Filene die before said date or cease before said date to be connected with said New Company, or any successor of it in business, as officers, then upon the death of whichever of them dies last or upon the termination of such connection of whichever of them last ceases to be so connected, as the case may be, they or the survivor of them, or the executors or administrators of them or the survivor of them, or the one of them or the executors or administrators of such one of them as has or have the ownership of or power of disposition over the fifty-two (52) per cent of common stock of said new corporation will transfer four (4) per cent of the amount of said stock then outstanding to the holders of the then remaining forty-eight (48) per cent of said stock pro rata according to their respective holdings, or if such division is not practicable then to said holders jointly as tenants in common.

IN WITNESS WHEREOF, we, the said Edward A. Filene, A. Lincoln Filene, Thomas K. Cory, John R. Simpson, Edward J. Frost, and Louis E. Kirstein have hereunto set our hands and common seal, which each of us hereby adopts, this first day of March A.D. 1913.

(Signed) Edward A. Filene
A. Lincoln Filene
Thomas K. Cory
John R. Simpson
Edward J. Frost
Louis E. Kirstein

[COMMON SEAL]

The foregoing agreement is hereby approved.

(Signed) Wm. Filene's Sons Company,
By Edward A. Filene,
President.

AMENDMENT TO ASSOCIATES' AGREEMENT

WHEREAS Edward A. Filene, A. Lincoln Filene, Thomas K. Cory, John R. Simpson, Edward J. Frost and Louis E. Kirstein, hereinafter collectively called the Associates, made an agreement dated March 1, 1913, which provided among other things for the distribution among them of first preferred stock, Series B, and second preferred stock, in Wm. Filene's Sons Company, and fixed the contribution to surplus of said corporation of each of them: and

WHEREAS thereafter by agreement the amount of first preferred stock, Series B, to which collectively they were entitled and the amount contributed by them collectively to the surplus of the corporation were altered by reason of a shrinkage of value of shares of the Coppenhagen Real Estate Trust and pursuant to an agree-

ment as to how such shrinkage should be borne, and collectively they became entitled to nine hundred and forty-six thousand six hundred (946,600) dollars par value of said stock instead of nine hundred and forty-five thousand nine hundred (945,900) dollars par value, and collectively contributed to surplus five hundred and thirty-one thousand three hundred and thirty and 19/100 (531,330.19) dollars instead of six hundred and five thousand nine hundred (605,900) dollars:

NOW THEREFORE, we, the said Associates, hereby agree, each for himself and his legal representatives, and not one for another, with all of the others, and their respective legal representatives and assigns:

FIRST. That the amounts of said first preferred stock, Series B, to which we shall respectively be and are entitled and the amounts which we shall respectively be deemed to have contributed to surplus are as follows:

	First Preferred Stock Series B	Surplus or Reserve
Edward A. Filene	$354,300	$193,469.87
A. Lincoln Filene	354,300	193,469.87
Thomas K. Cory	28,500	15,630.15
John R. Simpson	28,500	15,630.15
Edward J. Frost	28,500	15,630.15
Louis E. Kirstein	152,500	97,500.00

and said agreement dated March 1, 1913, is hereby altered and amended accordingly.

SECOND. Except as above altered, said agreement dated March 1, 1913, is hereby ratified and confirmed in all respects.

IN WITNESS WHEREOF, we, the said Edward A. Filene, A. Lincoln Filene, Thomas K. Cory, John R. Simpson, Edward J. Frost, and Louis E. Kirstein, have

hereunto set our hands and common seal, which each of us hereby adopts, this eighth day of January, A.D. 1914.

(Signed) Edward A. Filene
A. Lincoln Filene
Thomas K. Cory
John R. Simpson
Edward J. Frost
Louis E. Kirstein

The foregoing agreement is hereby approved.

(Signed) Wm. Filene's Sons Company,
By Edward A. Filene,
President.

SECOND AMENDMENT TO ASSOCIATES' AGREEMENT

WHEREAS Edward A. Filene, A. Lincoln Filene, Thomas K. Cory, John R. Simpson, Edward J. Frost and Louis E. Kirstein, entered into an agreement in writing dated March 1, 1913, called the Associates' Agreement under which, among other things, it was agreed that they should severally deposit Second Preferred stock of Wm. Filene's Sons Company with said Edward A. Filene and A. Lincoln Filene as trustees for the purposes in said agreement set forth, and

WHEREAS thereafter said John R. Simpson sold all his common stock in Wm. Filene's Sons Company, and as a part of the agreement of sale the Second Preferred stock deposited by him was returned to him and he has no further interest in said agreement, and

WHEREAS all the remaining parties to said agreement desire that the Second Preferred stock deposited by them be returned to them free from any trust,

Now Therefore said Edward A. Filene, A. Lincoln Filene, Thomas K. Cory, Edward J. Frost and Louis E. Kirstein, hereby agree that all Second Preferred stock deposited by them respectively as aforesaid shall be returned to the respective depositors by said Edward A. Filene and A. Lincoln Filene as trustees as aforesaid upon surrender of the trust certificates issued therefor, and said trustees are hereby authorized to make such return and said parties hereby agree that this agreement and the surrender of said stock pursuant hereto shall affect said Associates' Agreement in no respect except as relates to said Second Preferred stock and the return thereof.

In Witness Whereof, we, the said Edward A. Filene, A. Lincoln Filene, Thomas K. Cory, Edward J. Frost and Louis E. Kirstein, have hereto set our hands and common seal which each of us hereby adopts this thirty-first day of March A. D. 1922.

(Signed) Edward A. Filene
A. Lincoln Filene
Thomas K. Cory
Edward J. Frost
Louis E. Kirstein

[COMMON SEAL]

GENERAL PROFIT-SHARING PLAN AND AGREEMENT[1]

Wm. Filene's Sons Company (hereinafter called the Company), a corporation organized under the laws of Massachusetts, and carrying on a department store in the City of Boston, desires to provide for all of its employees sharing in the general profits of its business, in addition to other plans and agreements by which certain employees are entitled to share in the profits of particular departments, or in general merchandise profits, or to receive bonuses, commissions, extra commissions and extra premiums.

Now Therefore, Wm. Filene's Sons Company hereby establishes this plan and agreement for general profit sharing:

First. All property and assets employed or to be employed in the business shall remain the sole and exclusive property of said corporation, and it shall have

[1] This agreement was presented to the meeting of the stockholders on August 16, 1912, when the by-laws of that date were adopted. The following vote was taken: "Voted: To establish a plan of general profit sharing as set forth in the following draft, and the President and Treasurer and any two of the Vice-Presidents are authorized to execute the same on behalf of this company." The draft referred to in this vote was the "General Profit-Sharing Plan and Agreement." It was slightly amended by the stockholders on March 24, 1913. A notation on the attorneys' records states: "It is not necessary to fill in the dates or signatures here, as it is only a draft, as stated in the vote." The next vote taken on this subject was on May 24, 1913, as follows: "That the general profit-sharing plan shall become operative at the beginning of the first fiscal year after the agreement known as the Associates' Agreement has been fully performed so that the trust as to the stock held in trust thereunder is terminated."

full authority and entire control in all matters relating to the conduct of the business.

SECOND. The Company reserves, among other things, the full right to make such modification in the salaries of employees as it sees fit and to increase or diminish the number of employees, and to make such payments to individual employees by way of shares in profits of particular departments or general merchandise profits, or bonuses, commissions, extra commissions and extra premiums, and to award amounts to the Filene Co-operative Association, as it may see fit, prior to the division of net profits among the Management and the employees herein provided for.

THIRD. For the purpose of this agreement there shall be a determination by the corporation as soon after the first day of September of each year as may be of the profits made in said business during the year ending the thirty-first day of August next preceding. Such profits shall be computed, among other things, by taking all goods on hand at the beginning and at the end of such period of one year respectively at a value of sixty-six and two-thirds (66⅔) per cent of the cost at which they are charged upon the books of the Company. A distribution of such profits shall be made on or before the first day of November.

FOURTH. All the net profits of the business remaining after paying to the several employees entitled thereto their shares in the departmental profits or general merchandise profits, or amounts payable for bonuses, commissions, extra commissions and extra premiums, and paying any amounts awarded to the Filene Co-operative Association, above referred to, and after paying all dividends accrued upon first and second pre-

ferred stock at the rate of seven (7) per cent per annum and like dividends upon the common stock at the rate of six (6) per cent per annum, including accumulated or passed dividends on preferred or common stock of former years remaining unpaid, such further sums as may be paid for premiums on retirement of preferred stock, or setting apart the amounts required for such purposes, reserving amounts required to make good all previous losses, and reserving a sum equal to interest at the rate of six (6) per cent per annum on any surplus held by the corporation at the beginning of the fiscal year, shall be divided into two equal parts:

1. One such part or one-half (½) thereof shall be payable to those charged with the management of the business, who for this purpose shall, until otherwise agreed by them in writing, be taken to include only the following persons: the General Manager, the Assistant General Manager, the Comptroller, the Merchandise Manager, the Publicity Manager and the Store Manager. The part or one-half (½) of the profits so payable to the Management may, at the option of the Board of Directors, except as hereafter provided, be retained by the corporation as surplus, or may be distributed to the persons entitled in the proportion in which at the time they respectively hold common stock now entitled to vote, in such common stock, or in a new common stock entitled to six (6) per cent dividends and no more per annum and not entitled to vote, or in cash. Any distribution in stock may be made by payment of cash on condition that the amount be at once used to subscribe and pay for stock. Whenever there has been so distributed profits amounting in the aggregate to one million (1,000,000) dollars which are represented by

surplus held by the corporation or by additional common stock issued as above provided, or part by each, subsequent distributions shall be made in cash.

2. The other such part or one-half (½) of said net profits shall be divided to and among all of the employees regularly entered on the payroll of said corporation other than those so constituting the Management (hereinafter sometimes referred to as the employees to distinguish them from the Management), in proportion to the amounts received by them respectively as salaries for services during the year in which such profits were earned; subject, however, to the conditions and exceptions hereinafter stated, namely,

(1) The Board of Directors and the Filene Co-operative Association shall in every year before the fifteenth day of September each appoint three (3) members of a Board of Apportionment, and the six members so chosen shall select a seventh, who shall be the chairman. This Board shall determine whether any of the employees of the corporation have performed such specially meritorious service as to entitle them to extra compensation (in addition to such compensation as they have received from their salaries, and from departmental profit sharing, general merchandise profit sharing, bonuses, commissions, extra commissions, or extra premiums, and which they would receive from participation in the general profit-sharing plan); and if after full inquiry it shall find that any employee or employees of the corporation other than members of the Management as above defined is or are entitled to extra compensation and the amount

thereof, such sum shall be paid out of the one-half (½) of said fund set apart for employees and be deducted therefrom before the distribution of the fund pro rata among the employees in accordance with the amounts received during the year as salaries. The decision of this Board or of a majority thereof shall be final.

(2) No person shall be entitled to any share of the profits so set apart unless he was an employee regularly entered on the payroll of the Company at the close of business on August thirty-first of the financial year during which the profits were earned; but the Board of Apportionment shall have power, as above provided, to allow any person who had been an employee regularly entered on the payroll of the Company during the year, but had ceased to be so employed before August thirty-first, to receive his pro rata share, in accordance with amounts actually received as salary, in the proportion of profits set apart for employees.

(3) The Board of Apportionment shall have power to deny participation in the profits to any employee for any act or omission which seems to the Board just and adequate cause for excluding him from benefits of profit sharing.

(4) Every employee shall be bound to accept the determination of the profits made by the Company, with the approval in writing of a representative of the Filene Co-operative Association chosen by the Association for that purpose, as final and conclusive and no employee shall have a right to an accounting or to recovery of any

profits except such as the Company shall, with such approval, determine to be the net profits divisible under this plan. If the Company and the representatives of the Filene Co-operative Association disagree upon any matter, the same shall be left to the arbitration of an umpire to be selected by the Company and the representative of the Filene Co-operative Association, whose decision shall be final and binding upon the parties.

(5) The right of an employee to receive profits shall not be assignable, and no payment shall be made in accordance with any assignment or order by way of anticipation.

(6) The Board of Directors may in any year in its discretion at the time of declaring the profits distributable among the employees order such distribution to be made (a) in cash, (b) in scrip payable by the corporation in or within three (3) years from the date of issue and bearing interest at the rate of six (6) per cent per annum, payable annually, (c) in first preferred stock of the corporation, Series B, or (d) partly in any two or more of the methods specified, in such proportions as the Board of Directors fixes. A distribution in stock may be made by payment of cash on condition that the amount be at once used to subscribe and pay for such stock.

(7) In case upon a liquidation or distribution of assets, voluntary or involuntary, there remain any surplus assets to be distributed under Article V, Section 3, Clause (3),[1] of the by-laws, such dis-

[1] This became Clause (4) in the amended form of the by-laws as printed in this book.

tribution shall be made as provided in Article IV above of this agreement as if such surplus assets had been profits distributed hereunder for the fiscal year current when such liquidation began.

FIFTH. The Company shall have the right to make from time to time such modification in the terms of this plan and agreement as it shall deem fit, and may at any time terminate the arrangement and all right, either of the Management or of the employees, to share in the profits thereafter. If notice to terminate is given in any year before October first, it shall operate as of September first, the commencement of the profit year. If such notice is given after September thirtieth, it shall take effect at the close of the then current profit year.

SIXTH. The rights herein reserved to said Company shall endure to and be exercisable by its successors and assigns.

IN WITNESS WHEREOF the Wm. Filene's Sons Company has caused this instrument to be signed in its name and behalf by Edward A. Filene, its President, and its corporate seal to be hereto affixed by Abraham Lincoln Filene, its Treasurer, this day of A.D.

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